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# Introduction

Welcome to the exciting adventure of entrepreneurship! You are not only working in the field of child care, you are joining the fastest growing segment of the employment economy. Since the 1980s, businesses with less than 10 employees have been producing more jobs per year than businesses with 10 to 500 employees. Entrepreneurship is the wave of the future. Each year thousands of people are turning away from paid employment to go into business for themselves.

Opening a business, however, does not lead to success automatically. More than half of all new businesses fail within the first year or limp along as hobbies. They did not plan to fail. *They failed to plan!* It takes a plan to build a business successfully – a *business plan*.

The purpose of this manual is to provide potential child care business owners with the contact information necessary to get started and with a step-by-step guide to the business side of child care. The manual starts out with explicit directions describing how to obtain a business license and child care license in Washington State. An appendix provides the contact information you will need to attain these licenses. The manual then walks you through the necessary steps to prepare both you both personally and professionally for operating a successful child care business.

### The Business Plan

Planning a business is a process of exploring the feasibility of your business idea, setting goals, and identifying the steps that will turn your business idea into a successful reality. A systematic approach to this process is called a business plan.

A successful business plan proceeds with building blocks from the bottom up, like a sturdy house. In this workbook, the building blocks are twelve competencies that progress from a *foundation* of personal readiness, through *a feasibility study* and *start-up plans*. Your completed business plan will tell the story of your business and guide your daily routine.

### A TERRIFIC BUSINESS PLAN!

#### III. Start-Up Plans

☑ Marketing Plan

**☑** Operating Plan

#### II. The Feasibility Study

☑ Cash Flow Projection

**☑** Feasibility Decision

✓ Sales Forecast

☑ P & L Projection

☑ Market Research

☑ Cost Analysis

#### I. The Foundation

☑ Business Idea

☑ Self Assessment

☑ Net Worth Statement

**☑** Budget

The house of competencies on the preceding page may look like a tall order, but each level can be accomplished easily when the building blocks are broken down into small practical steps. That's the job of this workbook. Each step along the way is designed to develop your skills for successful entrepreneurship.

In addition to the competencies shown in the "house," this workbook helps you develop other important skills, including:

- Negotiating
- ◆ Time Management
- ◆ Pricing Services
- Pushing through Emotional Barriers
- ◆ Selecting a Bank
- **♦** Income Taxes
- ♦ Record Keeping
- **♦** Borrowing Money

# **Every Entrepreneur Needs Support!**

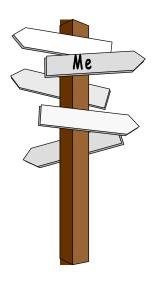
All successful entrepreneurs have a support network, whether they admit it or not. Lenders, mentors, friends, colleagues, even competitors play an important role in keeping the entrepreneur inspired. Use your friends and family, or fellow entrepreneurs, as a business support group.

### SK

No one achieves success alone. Every successful entrepreneur has a network of resources and support.

# Where the Journey Begins

As you turn to the first chapter, think about your dreams and goals. To put your business into perspective with the rest of your life, we begin our journey of entrepreneurship with a focus on *you*.



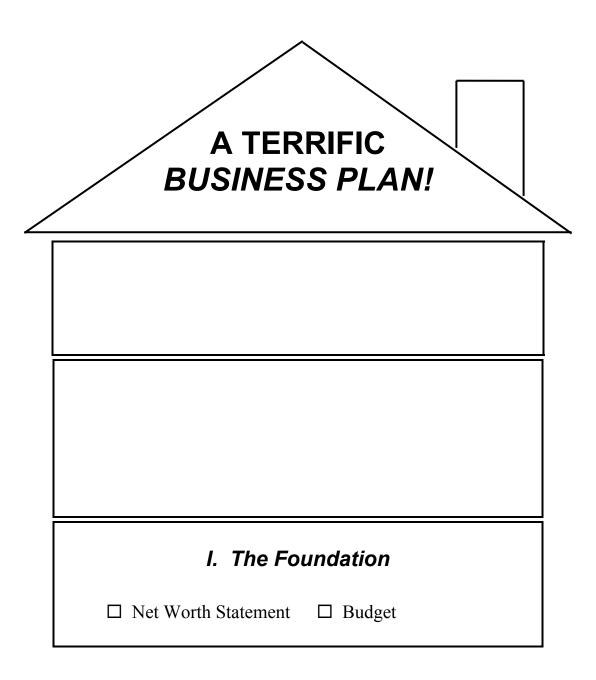
# Part I The Foundation

#### Part I. The Foundation

# Chapter 1 Starting with You!

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☐ Assets	☐ Reserve Fund	
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☐ Expense Journal	Expenses	
L'Apense Journai	Lapenses	

# Where Are We Now?



# 1. Getting Started

# How to Apply for a Family Child Care License

The family child care license is a requirement if you provide regular child care for children not related to you. If you provide care for over 12 children, you must be licensed as a child care center and provide care in a facility separate from your home.

- 1. The first step in acquiring a Child Care License is to contact the Division of Child Care and Early Learning at the Department of Social and Health Services (DSHS) and make plans to attend the "Basic Orientation". At the orientation, you will learn about the licensing requirements of Washington State, have a chance to ask a licensor questions, and receive an application and a Criminal Background Check form.
- After the orientation, take a personal assessment of yourself and your home to decide if owning a child care business is what you really want. Owning your own business has several benefits, such as being your own boss and being able to earn an income while staying home with your children if you have kids. However, starting a business is also a great responsibility that requires a lot of money, planning, and time. The second part of this chapter and the following chapter focus on evaluating your current personal situation.

During this period you also need to assess your home or apartment. Is it suitable for housing a child care program? Do you have your landlord's permission to use the property for a child care? Have you spoken with your neighbors to find out how they feel about having a child care facility next door. If you are unsure that your home will meet licensing requirements, call the Division of Child Care and Early Learning and ask to speak with a licensor. Licensors can help identify deficiencies, provide consultation to

find manageable ways to meet the minimum standards, and develop a plan of correction.

The majority of the worksheets in this manual are helpful for this planning time as well. You will want to start building the foundation of your business well in advance of turning in your final licensing application.

Finally you will want to sign up for First Aid, CPR, and HIV/AIDS prevention classes right away because they tend to fill up quickly. Make sure the class you sign up for includes child and infant first aid and CPR and is approved by the Department of Health. Check with your local Child Care Resource and Referral to find out if they coordinate a class or can suggest one in your area (see **Child Care Resource** sheet).

- 3. Once you are within ninety days of being ready for inspection, submit the child care application and Criminal Background Check you received at the orientation along with a \$24 application fee. The Division of Child Care and Early Learning has 90 days to process your application, inspect your facility, and issue a license. This process could take longer if unforeseen problems arise during inspection. (July through early September are the busiest months for child care licensors, so expect your application to take the full ninety day if you submit it during those months.)
- 4. When the requirements have been met and the Division of Child Care and Early Learning approves your application, the initial license will last up to six months. The Division of Child Care and Early Learning will approve a full license after they have made additional unannounced visits to your child care facility. Licenses are renewed every three years and child care homes must be monitored every 18 months (see **Child Care License** sheet).

Once your family child care business is licensed, you are eligible for many free services and resources. A good first stop is at Child Care Resource and Referral where they will tell prospective parents about your child care program and keep you informed about the latest child care information pertaining to your area. You may also be eligible to participate in a food program that reimburses you for food expenses (see **Funding Sources** sheet). A whole new set of resources will become available once you are licensed by DSHS as a state approved child care provider (see **In-Home Child Care Resources** sheet).

# Washington State Training and Registry System (STARS)

One licensing requirement is that all family child care providers, and anyone else who may be left alone with the children attend a basic 20-hour Washington STARS class before or within six months of being licensed or hired. This 20-hour training course covers the most current information and methods for providing quality child care. The 20-hour training course must be either a class taught by a Washington STARS approved trainer or a college class designed to meet the training requirement. The Building Blocks<sup>TM</sup> classes offered through Child Care Resource and Referral will also cover the requirement. In addition, 10 hours of approved continuing education will be required annually for anyone left alone with the children. (Though aides, assistants, volunteers, and substitute providers are not required to take the training if they are never left alone with the children, they are encouraged to participate.)

As mentioned earlier, the second step in obtaining a family child care license is to evaluate your personal situation to determine how it will fit in with the requirements for running a family child care business. The following section helps you assess your personal situation and your dreams and goals and then provides the tools to turn them into a reality.

# How to Apply for a Business License

The Master License Service (MLS) is your primary contact for acquiring a Washington State business license. The MLS provides a variety of business resources on-line at <a href="https://www.wa.gov/dol/bpd/buslic.htm">www.wa.gov/dol/bpd/buslic.htm</a>. They can also be reached at:

Department of Licensing Master License Service 405 Black Lake Boulevard PO Box 9034 Olympia, WA 98507-9034 (360) 664-1400 (tel.) (360) 753-9668 (fax) Office hours: 8 a.m. to 5 p.m. Monday through Friday

The Master License Service of the Department of Licensing will provide the necessary information and forms to get started. Once registered, your business will be issued a nine-digit Unified Business Identifier (UBI) number, and the business license will arrive shortly thereafter in the mail. All state agencies will be able to identify your business by using the UBI number. The state registration process will cost \$15.00 with an additional \$5.00 fee for each trade name (see **Business License Resource** sheet for Department of Licensing contact information).

(Not all cities require child care facilities to have a business license. Check with your municipal office to find out the specific regulations in your area. You may not need a state business license if your business makes less than \$12,000 a year before expenses, does not make retail sales, and is not required to pay or collect any taxes administered by the Department of Revenue.)

# 2. Your Personal Finances

"Why deal with personal finances in a business workbook?

Because YOU are the business!"

~ Peter Rose, Washington CASH

Your personal finances and your business are interrelated. Your business will provide income; how you manage that income can build your life and your business, or hurt them both.

Ultimately the purpose of your business is to realize your dreams. A successful business can do this by providing income as well as a meaningful way to serve your community and express your talents. To put your business into perspective with the rest of your life, we begin with your *dreams* and *goals*.

#### **Your Dreams and Goals**

A **dream** is a vision of how you would like your life to be. It may include what you want for others as well as for yourself. **Examples**:

#### Clarita's Dreams

I want to own and operate my own business.
I want to live in a nice neighborhood in a nice house.
I want to do family things with my kids regularly.

A **goal** is a particular end toward which your efforts are directed. It is specific and measurable; you can tell when it is in progress and when it has been completed. It can be given a target date that tells when the steps are to be started or completed.

#### **Examples**:

#### Clarita's Personal Goals

Take a business class.

Take kids camping next summer.

Start my own business.

Buy a home in the Central area.

#### **Target Date**

March, 2002 August, 2003 September, 2002 2006

Notice how Clarita's goals relate to her dreams. The accomplishment of meaningful goals makes dreams come true.

#### Instructions for Worksheet #1

Write down your fondest dreams and personal goals. Dream big and make your goals specific so that you can set target dates for starting or completing them.

#### **WORKSHEET #1**

# **Dreams & Personal Goals Date\_\_\_\_\_** Your dreams: \_\_\_\_\_ **Target Date** One year goals: \_\_\_\_\_ Five year goals: \_\_\_\_\_

#### **Your Financial Goals**

**Financial goals** are strategies for funding your personal goals. For example, if your personal goal is to own a home, corresponding financial goals for the next five years might include:

Five Year Goals	Amount	Target Date
1. Down payment on a house	\$10,000	<i>By June 2006</i>
2. Pay off credit card	\$1,100	By November 2006

Most goals will require smaller goals, or subgoals. For example, one-year goals for accomplishing the above two goals might include.

One Year Goals (Subgoals)	Amount	Target Date
1. Save money each month	\$100/month	Beginning July 1, 2002
2. Pay double on credit cards	\$200/month	Beginning Sep. 1, 2002
3. Increase savings to:	\$300/month	Beginning Feb. 1, 2002

## Instructions for Worksheet #2

List the financial goals that would help you reach the personal goals that you identified on Worksheet #1. Include a dollar amount and target date for each goal.

If you are not sure how much you can save toward your goals, make your best guess. You may wish to revise your financial goals after you have completed Section 2, *Tools for Reaching Financial Goals*.

#### **WORKSHEET #2**

Financi	al Goals	
	\$ Amount	Target Date
One year goals:		
		-
		<del>-</del>
	<del></del>	
Five year goals:		

# 3. Tools for Reaching Your Financial Goals

Some people manage their money quite well by instinct. They are rare. Like cooking or building a house, money management is most effective when we apply the appropriate tools. These tools help us to become conscious of the good news and the bad news about our monetary habits. Without both the good *and* bad news, we cannot know where we are on the financial road to realizing our dreams.

Where are you now? The initial tools that we will use to help you reach your financial goals will provide a commanding view of your financial situation: a *Net Worth Statement*, an *Expense Journal*, an *Income & Expense Statement*, and a *Budget*. They will show:

- ◆ the starting point for reaching your financial goals
- your spending and saving habits
- ♦ how much money you can commit to financial goals
- ♦ how expenses can be controlled to fit income

### **Net Worth Statement**

If you apply for a loan, you will probably be required to submit a *Net Worth Statement*. A **Net Worth Statement** shows your *assets*, *liabilities* and *net worth* on a given date.

Assets

= everything you own that has value, including money, investments, an automobile, a home, valuable collections, and your business assets, such as bank accounts and equipment.

**Liabilities** = unpaid bills, pledges, mortgages, loans, and credit card balances.

**Net worth** = what's left over after you subtract liabilities from assets.

#### **Clarita's Net Worth Statement**

April 26, 2002

ASSETS	VALUE
Checking Account	40.00
*Business Assets	300.00
Savings Account	130.00
Honda Civic 1990	4,000.00
TOTAL ASSETS	4,470.00

LIABILITIES	<b>BALANCE</b>
Business debts	0
Visa	423.19
Penney's credit card	713.20
Loan from parents	1,000.00
Auto loan	<u>3,925.00</u>
TOTAL LIABILITIES	6,061.39

**NET WORTH:** 4,470.00 - 6,061.39 = (\$-1,591.39)

### *≫ Brainstorm ≫*

What does Clarita's Net Worth Statement say about her spending and savings habits?

<sup>\*</sup>Business Assets will be shown on the Balance Sheet

#### Instructions for Worksheet #3

#### 1. List your assets.

Single persons: Use Worksheet #3a on the next page.

Married persons: Use Worksheet #3b. Note: In most states, you own individually whatever you acquire and keep in your own name. Not so in the nine community property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. In these states everything acquired through the efforts of either partner is owned 50-50, even if it is held in just one partner's name. However, everything you acquired before marriage, or by gift or inheritance during the marriage, is separate property. The same principle holds for debts. Debts incurred during marriage are shared obligations. Those incurred before marriage are separate obligations.

Example: Jody bought a car on credit shortly before marriage. During the marriage she made nearly all of the payments from her earnings, inherited a house from her mother, started a retirement account through her employer, and started a business. Her community property includes the car (payments were made during the marriage from her salary), retirement account, and business. The inherited house is separate property.

In her column on her Net Worth Statement, Jody would enter the full value of her separate property and half the value of her community property.

#### 2. In the VALUE column:

- a. Enter the amount you would get if you sold or cashed in each asset.
- **b**. For a home value, deduct 10% for selling costs.
- 3. Calculate your net worth: ASSETS LIABILITIES

#### **WORKSHEET #3a**

Date
VALUE \$
Ψ
<b>\$</b>
BALANCE OWED \$
\$
= <b>\$</b>

#### **WORKSHEET #3b**

Names		Date	
ASSETS	VALUI Self	E OF ASSETS Partner	Combined
TALS: DIVIDUAL ASSETS \$ MBINED ASSETS  LIABILITIES	BALA! Self	\$ NCE OF LIABILI' Partner	\$ FIES Combined
TALS: DIVIDUAL LIABILITIES MBINED LIABILITIES	\$	<u>\$</u>	<u> </u>
DIVIDUAL LIABILITIES OMBINED LIABILITIES	\$	\$	\$

# **Personal Expense Journal**

A **Personal Expense Journal** is a small pad or notebook that you carry around to immediately record all your cash and credit expenditures. The idea is to catch every expense, no matter how small, so that you will be able to make an accurate Income & Expense Statement. The Expense Journal makes you aware of your spending patterns.

**Example:** On April 5, Clarita took a bus (\$1.00) to visit her sister. On the way back she stopped at McDonalds and had lunch (\$3.90). The bus stop was in front of a drugstore, which reminded her to buy toothpaste (\$1.41). Next door to the drugstore was a grocery store. Since Clarita had twenty minutes to kill, she went in and bought a few groceries (\$18.60). She boarded the bus, and having forgotten to ask for a transfer, paid again (\$1.00). When she got home her nephew asked to go to the skating rink. Clarita gave him \$5.00 for admission and snacks. Then she sat down and recorded her expenses.

Clarita's Personal Expense Journal April 5, 2001			
Bus fare 1.00 x 2	2.00		
Lunch, McDonalds	3.90		
Toothpaste, Drugstore	1.41		
Groceries, Thriftway	18.60		
Joey, Skating and Snacks	_5.00		
Total Expenses	30.91		

#### **Instructions**



Get a small pad or notebook of paper to carry around with you. Enter the date, item purchased, and amount for every single penny you spend. Start today!

# **Income & Expense Statement**

When you have recorded daily expenses for a full month, enter them on an *Income & Expense Statement*. An **Income & Expenses Statement** shows *all* your income and expenses, month by month, over a period of time (e.g., 1 month, 3 months, 1 year). This statement is particularly valuable because:

- It shows the bigger picture of your spending patterns.
- ◆ It helps you determine where expenses can be cut and money redirected.
- ◆ It is the single most important tool for making a budget.
- ◆ It helps you determine how much you can afford to pay on a new purchase or a new loan.
- ◆ Most importantly! It helps you set financial goals. It shows you where you are now and what you have to work with.

#### SK

What dreams did your money nourish last year?

What necessities did it provide?

Where did it "leak away" leaving no benefit or memory to enjoy?

#### Instructions for Worksheet #4

Start your Income & Expense Statement for the past month as follows:

- 1. Assemble your records. Dig through your records and rack your memory. Call utility companies and other creditors for payment records if necessary.
- 2. Enter INCOME. Net Wages means "take-home" pay, after employer deductions such as income taxes and health insurance. Investment Income includes interest from savings accounts and other investment earnings that were sent to you or went into your checking account for spending.
- 3. Enter EXPENSES. Enter occasional expenses under MISCELLANEOUS. Otherwise, try to identify all expenses. Choose categories that will help you manage your money. For example, make a separate category for expenses you want to monitor such as specific utilities, personal allowances, entertainment, and so on.
- 4. Balance the statement. Make INCOME and EXPENSE totals come out the same. If you cannot account for all of the expense, put the mystery amount under MISCELLANEOUS. In the future, attempt to keep the MISCELLANEOUS category below 10 percent of your income.
- 5. Go for 12 months. Continue to record your expenses each month until you have a 12-month Income & Expense Statement.

#### **WORKSHEET #4**

Period:		to				
1st			to			
	2nd	3rd	4th	5th	6th	6-Month
						TOTALS
					-	-
			Next page	Next page	Next page	Next page

Income & Expense Statement								
	Period:	to						
MONTH:	7th	8th	9th	10th	11th	12th	12-Month	
INCOME							TOTALS	
Wages (net)								
Child support								
Gifts								
Gov. Assistance								
Refunds								
Interest/Investment Income	·							
<u></u>	<u> </u>							
TOTALS								
EXPENSES								
Savings/ Investments								
Debt payments								
Auto: Gas								
Maintenance								
Insurance								
Child Support								
Child Care								
Children's Expenses								
Clothes								
Eating Out								
Entertainment								
Gifts/Donations								
Medical/Dental								
Mortgage/Ins/Taxes								
Home Maintenance								
Personal Care								
Rent								
Supermarket								
Utilities						-		
Electricity								
Water								
Heat								
Phone								
MISCELLANEOUS								
IIII ODDDI II IDOOD								

# **Budget**

A **Budget** is a tool for planning how you will distribute your income. It shows what income you expect to receive and how you intend to use it. A Budget is a financial tool for reaching personal goals.

If you apply for a business loan, the lender may require that you submit a Budget (sometimes bank statements and other proof of cash flow are required instead). The Budget, along with a Net Worth Statement, will help you and the lender determine if you can afford to make the loan payments.

As a planning tool, a Budget is flexible. Let's say you become unemployed or have an emergency that blows your Budget. That's the time to take stock of your resources and re-plan your Budget. In general, it is wise to re-plan every three months.

Do you have a *Reserve Fund?* If not, this could be your first savings goal. A **Reserve Fund**, also called a *rainy day fund* or *emergency fund*, is a savings account for emergencies or unplanned expenses. As a rule of thumb, it is wise to keep enough in the reserve fund to pay from three to six months of your living expenses.

# Spending without a Budget is like driving at night without headlights.



#### Instructions for Worksheet #5

Start with next month. Then work your way to a full 12-month budget.

- 1. Preliminary Guidelines:
  - a. Decide which financial goals to include in your Budget.
    Review your financial goals on Worksheet #2.
    Consult your Income & Expense Statement as well to
    Determine what you will need in your Budget.
    Include a Reserve Fund!
  - **b.** Plan with your family. If they participate, they are likely to appreciate the Budget and support it. Include school aged children. Ask them to submit an expense list for an allowance.
- 2. Enter INCOME. Include gifts of money, bonuses, refunds, and any other kind of income you expect.
- 3. Enter EXPENSES. First, pencil in the special goals you identified in #1 above. Next, pencil in the rest of your expenses, beginning with necessary expenses. Necessary expenses include rent, food, utilities, and such. Discretionary expenses include items over which you have more control, such as entertainment.
- 4. Personal Allowances. It's wise to make separate budgets (allowances) for each family member. Married couples and kids can spend allowances without accountability to each other. Allowances can help you teach children how to manage money.
- Enter MISCELLANEOUS. Budget at least 10% of your income for expenses you forgot or could not have foreseen.
   MISCELLANEOUS is in addition to a Reserve Fund.
- 6. Balance the Budget. With the help of family members, keep revising the Budget to make expenses balance with the income. It may take several drafts before the Budget feels just right.

#### **WORKSHEET #5**

	Budget							
	Period:		to					
MONTH:	1st	2nd	3rd	4th	5th	6th	6-Month	
INCOME							<b>TOTALS</b>	
Wages (net)								
Child support								
Gifts								
Gov. Assistance								
Refunds								
Interest/Investment Income								
							·	
TOTALS								
EXPENSES								
Savings/Investments								
Debt payments								
Auto: Gas								
Maintenance								
Insurance								
Child Support								
Child Care								
Children's Expenses								
Clothes								
Eating Out								
Entertainment								
Gifts/Donations								
Medical/Dental								
Mortgage/Ins/Taxes								
Home Maintenance								
Personal Care								
Rent								
Supermarket								
Utilities								
Electricity								
Water								
Heat								
Phone								
MISCELLANEOUS								
TOTALS				<del></del>				
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		N	lext page					

		t					
MONTH:	Period:	to					
	7th	8th	9th	10th	11th	12th	12-Month
INCOME							TOTALS
Wages (net)							
Child support							
Gifts							
Gov. Assistance							
Refunds							
Interest/Investment Income							
ΓOTALS							
EXPENSES							
Savings/Investments							
Debt payments							
Auto: Gas							
Maintenance							
Insurance							
Child Support							
Child Care							
Children's Expenses							
Clothes							
Eating Out							
Entertainment							
Gifts/Donations							
Medical/Dental							
Mortgage/Ins/Taxes							
Home Maintenance							-
Personal Care							
Rent							
Supermarket Utilities							
Electricity							
Water							
Water Heat							
Phone							
MISCELLANEOUS							
MISCELLANEOUS							
ΓOTALS							
		-					

#### Personal finance tools parallel those for businesses:

#### **Personal**

Net Worth Statement Expense Journal Income & Expense Statement Budget

#### **Business**

Balance Sheet Bookkeeping Journal Income Statement Profit & Loss Projection

### SK

#### Think About It!

Saving money gives you power. If you save \$100 per month at 3 percent interest for 30 years, it will grow to \$58,274. With a 10 percent return, \$100 per month will grow to \$222,050!

Once you begin saving money regularly, you can learn about wise investments that will bring you higher returns.

# **Money Management Strategies**

In addition to budgeting, there are other strategies for managing your money. Check the strategies below that could be helpful to you. Add others. For accumulating savings: ☐ If your employer has a savings or investment program, use it. □ Put money into savings each month *before* paying bills. ☐ Open separate savings accounts for different goals. For example, open one account for the reserve fund, one for saving up for a major purchase, and so on. For getting more for your money: ☐ Plan purchases ahead of time. ☐ Make a shopping list. ☐ Compare prices to get the best deal. ☐ Use coupons; watch for sales. For curbing overspending or over-debting: ☐ Carry only enough cash for preplanned expenses. ☐ Carry a credit card only when you go to make a preplanned purchase. Attend Debtors Anonymous meetings (located in the telephone directory through "Alcoholics Anonymous"). For managing credit cards:  $\square$  Use just one. ☐ Pay it off each month to avoid interest charges. ☐ Write down each charge on a list to keep a running total. ☐ Keep the customer service number handy. Call if the card is lost or

stolen

# 4. Criteria for a Good Business Idea

A good business idea is like a good meal: while it must meet certain standards, it also has to be something you enjoy. Whether you are already a child care provider or preparing to become one, think carefully about the three questions below.

Will your child care business be profitable?
Will you enjoy it?
Will you be good at it?

& Activity &	
Quickly list 10 reasons why you are in or planning to go into the business of child care. When you are done with your list, place a "C" next to every reason that has to do with caring for children, and a "B" next to every reason that has to do with running a business.	

# Assignment

4	<b>T</b>	4 1	4
	Learn	thaga	torme.
	Livarii	uncsc	tti iiis.

Dream vs. Goal	Income & Expense Statement
Net Worth Statement	Budget
Assets	Reserve Fund
Liabilities	Necessary vs. Discretionary
Expense Journal	Expenses

## 2. Start your Expense Journal today.

## 3. Complete:

Worksheet #1. Dreams & Personal Goals

Worksheet #2. Financial Goals

Worksheet #3. Net Worth Statement

## 4. Complete one month or more of:

Worksheet #4. Income & Expense Statement

Worksheet #5. Budget

# Part I. The Foundation

# Chapter 2 Your Business Idea

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Terms t	o Look For	
☐ Entrepreneur	☐ Sole Proprietorship	
☐ Mission Statement	☐ Partnership	
☐ Business Goals	☐ Corporation	
☐ Consumer vs. Customer	☐ Negotiate	
☐ Wholesaler vs. Retailer	_ 1.050.000	
- Wholesaler vs. Retailer		

# Where Are We Now?

A TERRIFIC Business Plan!
I. The Foundation
☐ Business Idea ☐ Self Assessment ☐ Net Worth Statement ☐ Budget

# 1. Starting Your Business Plan

There's an old saying: "If you don't know where you are going, you will probably end up somewhere else." Applied to business, this means that unless you have goals for your business, the business is not likely to grow the way you'd like. The purpose of your business plan is to outline your goals and state how you will accomplish them. It will help you start your business, make decisions, and apply for loans.

Your assignments from now through Chapter 8 will form the rough draft for your business plan. Do your best to complete every worksheet. The final draft comes in Chapter 9.

If your business is to bring you joy and fulfillment, your business goals will not be ends in themselves; rather, they will be stepping-stones to the quality of life you desire.



# **Mission Statement**

Once upon a time, the term "entrepreneur" had a negative connotation. A combination of the Old French words for "between" and "take," it sometimes referred to people who took unfair advantage of their customers. Today the term is entirely respectable. In general, modern entrepreneurs want to serve others (as a mission) while achieving goals that provide income and personal satisfaction.

A **mission statement** tells how you want your business to benefit others. The statement can be a full paragraph, but a sentence or two is better. It should include three major points: what you are going to do for others, who (or where) these people are, and how you propose to serve them. **Examples**:

**Patty's Pet Services** helps people in Patty's neighborhood take good care of their pets by providing low-cost grooming, training, and sitting services.

Clarita's Kids strives to provide a safe, loving, and caring home environment for children in the Central area. We encourage children to develop their imagination through a wide variety of activities and experiences.

The mission of **Kim's Kitchen** is to produce healthy jams that will delight people of every description.

## Instructions for Worksheet #6

**Section 1**. Write in your business name. If you don't have one, make up a tentative name.

Section 2. Write in your mission statement. (Remember, this is a rough draft.)

# Instructions for Worksheet #6 (Continued)

#### Section 3. Business Outline

a. Description of Children. Give details. Clarita wrote:

I'm going to start by caring for three children plus my own, and by the end of the year have five children plus my own, including two infants. I already have two three year-olds and one six month-old registered. One child is Hispanic, and the others are African American.

b. Description of Services. Clarita wrote:

I will provide a home for the children that stimulates creativity and physical and mental growth. Healthy meals and snacks are provided, along with regular activities that are both fun and educational. As special services, there will be time each week for environmental education and learning songs in Spanish. I will also encourage the children to get to know and respect each other's cultures and traditions.

- c. Location of Business. Give address.
- d. Typical Customer. Give characteristics, such as income level, geographic location, education level, ethnic or cultural background, age, gender, and so on. Clarita wrote:

The parents who will use my services are either low or middle income and are mostly African American or Hispanic. They work full-time and want their children to be in a loving yet educational environment when they are away from home.

e. Business Structure: Clarita checked the box for sole proprietorship.

# **Business Outline**

How specifically can you describe your business idea? While many of the details won't become clear until you have done some market research, your experience and common sense will help you produce a workable outline. You will need to know the following terms:

Wholesale means that you are selling to retailers or others who will distribute or sell your product.
<b>Retail</b> means that you are selling directly to the end user of your product or service.
A <b>consumer</b> is the person who will use your product or service.
A <b>customer</b> is the person who buys from you. It could be a retailer, distributor, or consumer.
A <b>Sole Proprietorship</b> is a business structure that has a single owner. Most microenterprises are sole proprietorships. Business income goes on the proprietor's personal tax return.
A <b>Partnership</b> is a business structure that has two or more owners. Income is divided and reported on each partner's personal tax return. The partnership can be informal or it can be formal with a written agreement.
A <b>Corporation</b> is a separate legal entity, which means it pays its own taxes on a separate tax return. The corporation, not the owners, is liable for its debts. Legal documents are required to set up a corporation.

Other business structures include the *S-Corporation*, the *Limited Liability Company (LLC)*, and the *Limited Liability Partnership (LLP)*, all of which may have special advantages for the small business. If you are considering anything other than a sole proprietorship, or wish to limit your liability, talk to an accountant to find out which type best suits your needs.

#### **WORKSHEET #6**

Business Idea	
1. Name of Business	
2. Mission Statement	
3. Business Outline	
a. Description of children	
b. Description of Services	
c. Location of Business	
Next page	

	KSHEET #6 – Continued	
d.	Typical Customer (key characteristics)	
Δ	Business Structure:	
، لــا	Sole Proprietorship □ Partnership □ Corporation □ Other	
If	partnership, who will do what?	
 Que		
	siness Goals	
a.	siness Goals  Target date for start-up or expansion:	
a.	siness Goals	
a.	siness Goals  Target date for start-up or expansion:	
a.	siness Goals  Target date for start-up or expansion:  One year goals:	
a.	siness Goals  Target date for start-up or expansion:  One year goals:	
a.	siness Goals  Target date for start-up or expansion:  One year goals:	
a.	siness Goals  Target date for start-up or expansion:  One year goals:	
a. b. 	Target date for start-up or expansion:  One year goals:	
a. b.	siness Goals  Target date for start-up or expansion:  One year goals:	
a. b. 	Target date for start-up or expansion:  One year goals:	
a. b. 	Target date for start-up or expansion:  One year goals:	
a. b. 	Target date for start-up or expansion:  One year goals:	
a. b. 	Target date for start-up or expansion:  One year goals:	

# **Business Goals**

**Business goals** are the steps or accomplishments that turn your business idea into a reality. They are not ends in themselves. As stated earlier, they are steps towards larger goals that relate to your values and desired standard of living.

Start your business goals with major objectives, such as start-up date, location, sales income, and employees. Remember, a goal is *measurable* and has a *timeframe*. **Example:** 

## Clarita's Business Goals

### Start-up date:

• September 5, 2002

## One year goals:

- Have at least 5 children as regular customers
- Build a swing set in the back yard
- ◆ Pay myself \$1,000 per month in wages

## Five year goals:

- ◆ Pay myself \$2,000 per month in wages
- Hire one employee
- Add on an extra room
- ◆ Have more requests for my services than I can fill

# Instructions for Worksheet #6 (Continued)

**Section 4**. Before you decide on your business goals, review your personal goals (Chapter 1). Then write business goals that clearly support your personal goals.

SK

Dreams inspire, Goals point the way.

# 2. Self Assessment

Another important competency is the skill of assessing your strengths and weaknesses for running your business. Weaknesses can be turned into strengths by letting others help and by developing new skills.

**Past experience** is one area to assess. Have you done things that relate to your child care business? Have you been in business before? What evidence do you have that you will enjoy the child care business? Do you have any particular training or education that prepares you for this business?

Entrepreneurial traits are something else to consider. Webster's dictionary defines entrepreneur as "One who organizes, operates, and assumes risks in expectation of gaining the profit." What kind of person is required for this? Surveys show that successful entrepreneurs tend to have the traits shown on the following page. For most people, these traits do not come naturally. They are achieved over time with commitment and practice. Now's the time to make an honest self-assessment to determine your strengths and weaknesses.

# Instructions for Worksheet #7

Rank yourself from 1 (weak) to 5 (strong) on each trait.

## WORKSHEET #7

# **Entrepreneurial Traits**

	Litticpicificariai fraits
Weak – Stro	ng
12345	<b>Decisive:</b> I like to make decisions, even if I think they may be wrong.
12345	<b>Objective:</b> I can take criticism and rejection.
12345	Organized: I work in an orderly manner.
12345	<b>Independent:</b> I like to be my own boss.
12345	<b>Persistent:</b> I quickly turn failures into challenges and try again.
12345	<b>Profit-Motivated:</b> I want to make money!
12345	<b>Resourceful:</b> I do research and ask for help when I need it.
12345	<b>Risk-Oriented:</b> I will take risks to achieve what I want.
12345	Social: I get along well with most people.
12345	<b>Networking Ability:</b> I enthusiastically network with other entrepreneurs to explore opportunities.
12345	<b>Thorough:</b> I attend to details and complete projects.
12345	<b>Single-Mindedness.</b> I am focused on my business and committed to making it a success.

## Clarita's Self Assessment

1. Experience. I have always loved working with children. As a teenager, I babysat regularly for several families, and saved my earnings to help with my community college expenses. I kept the books for my aunt's beauty shop to gain some business experience. I taught Sunday School for eight years and have worked as a Teacher's Aide at an elementary school for the past two years. I now have a child of my own, and want to apply my skills to running my own child care business. I am in the process of becoming licensed by the state.

## 2. Entrepreneurial Strengths.

- **a. Organized.** *I am known to be a highly organized person. My desk, my living space, and my books are neatly organized. I have no trouble getting to places on time and getting things done on time.*
- **b.** Persistent. I'm not a quitter. When I have trouble solving something, I keep at it until it's solved.
- **c. Social.** I like interacting with people, especially children. I enjoy talking to parents about the progress their children are making and work with them to solve any problems that arise.

## 3. Weakest Trait & Ideas for Strengthening It.

**Objective.** I'm not very objective when it comes to criticism. I take everything personally. When a parent told me that she didn't like the way I was interacting with her child, I got very upset and stayed that way for a couple of weeks.

To strengthen my objectivity, I'm going to rely on a support group to help me evaluate criticism objectively.

≈ Brainstorm ≈
Which entrepreneurial traits would help you
<ul> <li>keep your business records well-organized and accessible?</li> <li>avoid running out of supplies?</li> <li>charge your customers for all billable services?</li> <li>enforce your policies and procedures?</li> </ul>

# Instructions for Worksheet #8

The purpose of this worksheet is to identify strengths to utilize and improve on, or compensate for weak traits. Using Clarita's Self Assessment as a guide, write out your own Self Assessment.

## **WORKSHEET #8**

Self Assessment
1. Experience.
2. Entrepreneurial Strengths.
a. Trait:
Explanation:
b. Trait:
Explanation:
<del></del>
c. Trait:
Explanation:
3. Weakest Trait:
Explanation:
Ideas on how to strengthen it:

# 3. Time Management

The assignments in this workbook are designed to fit into a fairly busy schedule. While some people may plow right through them, others will find that they have too much to do in too little time. Try to do the assignments *in addition to* rather than instead of other priorities in your life.

Your priorities probably include self care, family, social activities, work, and some entertainment. What's needed is a method that helps keep the TLC – the "tender loving care" – in your life as you add workbook assignments to an already busy schedule.

As a way of managing your time, TLC stands for:

**THINK.** Before you plunge into your week, find a quiet place to sit down and relax. Think about how you want your week to go. Think of all the things that you'd like to accomplish—laundry, grocery shopping, events for the children, leisurely meal times, etc.

**LIST.** Make a list of the things you want to accomplish during the week. Circle the high priority items. Keep this list handy and cross off each item as it is accomplished.

**CALENDAR.** Immediately transfer the high priority items from your list to a calendar. Keep this calendar highly visible at home. Perhaps you can post it on the wall where the whole family can see it. You may also want to keep a smaller calendar in your purse so that you can schedule things while you are away from home.

Even with TLC, your week may not go the way you planned. Be kind to yourself. Learn to say "No" to others to create time for yourself and your business. Instead of letting unmet goals create stress, apply TLC again. And perhaps again and again.

# 4. Negotiating

# A Skill to Practice

**Negotiate** means that you and someone else talk until you reach an agreement. If your positions seem to conflict, then it also means to give and take until you reach a satisfactory middle ground. To illustrate, let's begin with an example from business. **Example**:

Joanne went to her neighborhood paper supply store where she would be making monthly purchases to replenish her craft supplies. Joanne explained that she would be making regular purchases and asked if she would be eligible for a business discount. The owner of the paper store explained that as a policy she did not give out business discounts.

Joanne thought a moment and said, "We both own small businesses in this neighborhood. There must be a way we can help each other out. I will be spending a lot of money at your store." The owner replied, "But if I offer you a discount, I'll have to offer a discount to every business owner who shops at my store. I can't afford to make such promises."

Then Joanne thought of something she could offer the storeowner that other business owners could not—referrals. She said, "I know several child care providers in this area. If I give you three referrals, can you give me a ten percent discount for my next three visits?" The storeowner said, "I could give you ten percent off the purchases of your next visit if you give me three referrals." Joanne, agreed.

This was a successful negotiation because both parties gave up something and reached a mutually satisfactory agreement.



In business people say, "Everything is negotiable!"

Is this True?

# **Contracts**

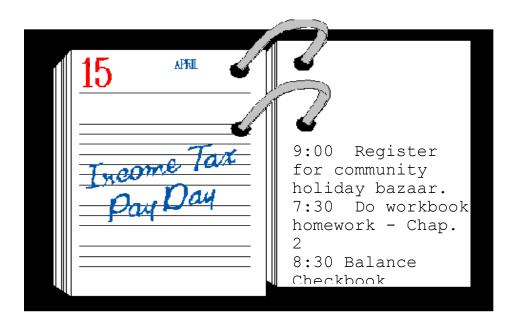
In business, contracts are normally negotiable. A **contract** is made when two parties agree to do something for each other. A contract might be verbal. For example, you might agree over the telephone to render a service while the customer agrees to pay a specified price for it. However, if a contract puts you at risk (e.g., you agree to provide a service at considerable cost), you will avoid misunderstandings and increase your chances of enforcing the contract if you *put it in writing*. And remember, if you are not comfortable with the contract, don't sign. **Example:** 

Carol agreed to make a wedding cake for a customer. She and her customer negotiated many specifications for the cake, a delivery date, and a price. Carol had the customer sign the order to seal the agreement – i.e., she put it in writing.



# Assignment

- 1. Learn these terms:
  - ☐ Entrepreneur ☐ Sole Proprietorship
  - ☐ Mission Statement ☐ Partnership
  - ☐ Business Goals ☐ Corporation
  - ☐ Consumer vs. Customer ☐ Negotiate
  - ☐ Wholesaler vs. Retailer
- **2. Apply TLC to homework.** Plot all your assignments on a calendar along with other personal and family priorities.



## 3. Complete:

Worksheet #6. Business Idea

Worksheet #7. Entrepreneurial Traits

Worksheet #8. Self Assessment

**4. Continue working on Personal Finances**. Keep recording your daily expenses.

# Part I Cumulative Review

- 1. What is the difference between a *dream* and a *goal*?
- 2. What time management techniques have you used to complete your assignments?
- **3.** What is the purpose of each type of financial statement?
  - a. Net Worth Statement:

  - b. Expense Journal:c. Income & Expense Statement:
  - **d.** Budget:\_\_\_\_
- **4.** Why do lenders require applicants to submit a Net Worth Statement and proof of income and expense?
- **5.** Remember, you should be actively working on the following:
  - Income and Expense Statement
  - Budget
  - Personal Expense Journal
- **6.** By now you should have completed the following assignments.
- ◆ Net Worth Statement (worksheet 3) ◆ Business Idea (worksheet 6)
- ◆ Entrepreneurial Traits (worksheet 7) ◆ Self Assessment (worksheet 8)
- 7. Circle the number representing how much these you've completed:

0 1 2 3 4 5 6 7 8 9 10

**8.** If you have not completed these statements, what are your next steps?

# Part II The Feasibility Study

# Part II. The Feasibility Study

# Chapter 3 Scoping the Market

# **Topics**

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# Terms to Look For

Feasibility Study	Your Competition
Market Research	<b>Emotional Barrier</b>
Your Market	

# Where Are We Now?

# **A TERRIFIC BUSINESS PLAN!** II. The Feasibility Study ☐ Market Research I. The Foundation ☑ Business Idea ☑ Self Assessment ☑ Net Worth Statement ☑ Budget

# 1. The Feasibility Study

A **feasibility study** provides calculations and research that helps you decide if your business can make enough money to meet your business goals. It includes market research, a cost analysis, and financial projections.

If the study indicates that your business is not feasible, your work will not have been in vain. First of all, the skills you will gain in the feasibility study can be easily reapplied to a new business idea. Second, you won't waste time and money on a business that has little or no chance of meeting your goals.



# 2. Market Research

The term **market** refers to the people who are likely to buy particular services. *Your* market can be quite large – like all the people who buy mustard. Or it can be smaller – just those who will pay a much higher price for Grey Poupon. Your job is to define your market as specifically as possible so that you can focus your marketing strategy.

**Market research** refers to the gathering, organization, and analysis of information about the your market. It answers questions such as: Who are my consumers? How much are they willing to pay? How large is my market? What kind of marketing strategy will attract their attention?

A good way to begin your market research is to study *the competition*. **The competition** refers to other businesses that offer services similar or identical to yours. You can observe them directly, and you can interview them. Contrary to what you may think at first, your competitors are likely to enjoy being interviewed by you. They are not necessarily your adversaries. In fact, competition helps create a demand for your products and services.

Your competitors can help you, and many will be happy to do so. Find out what they do, how they do it, and what they have found effective or ineffective. Interview several competitors. What you learn from them will help you understand your market, price your services, and develop a marketing strategy.

In addition to competitors, use other sources of information, such as:

## 1. Interviews with family, friends and others. Ask:

- Do you think my products/services will sell well?
- Who do you think will buy them?
- Who do you think are my main competitors?
- How much do you think people will pay for my products/services?
- What methods of promotion do you think would be effective?
- What do you think of my business name?
- What suggestions do you have for me?

- **2. Surveys of potential customers.** This can be done in many ways. One way is to describe your special or unique services and ask for feedback. Good questions to ask are:
  - Do you like this service?
  - Would you want this service for your child?
  - Would you pay extra for it?
- **3. Direct observation of your competition and customers.** Look for the features shown on the Interview Guide on the next page.
- **4. Research.** Call or visit your local office of Child Care Resource and Referral for advice and feedback. They usually have a library of child care materials. Also, the librarian of the business department of your public library can help you find market information and other useful publications. Consult also the Small Business Administration (see **In-Home Child Care Resource** sheet).

## Instructions for Worksheet #9

- 1. Interview at least three competitors. Use the Interview Guide on the next page and take plenty of notes.
- 2. Interview at least three potential customers (friends, family, coworkers, etc.).
- 3. Complete other research that you feel is appropriate to determine the uniqueness of your business, customer appeal, and market trends.
- 4. Review Clarita's Market Research and complete Worksheet #9

	Interview Guide for Competitors				
1.	How long have you been in this business?				
2.	What is special or unique about your child care program?				
3.	Who are your major competitors?				
4.	How do you find clients?				
5.	Which methods of promotion do you find most effective?				
	<ul> <li>□ Word of mouth</li> <li>□ Flyers</li> <li>□ Newsletters</li> <li>□ Newspapers</li> <li>□ Yellow Pages</li> <li>□ Direct mail</li> <li>□ Signs (on car, in yard, etc.)</li> <li>□ Other</li> </ul>				
6.	Can you fully support yourself with this business?				
7.	What are your monthly and/or hourly fees for infants, other ages?				
8.	What would you say is the major strength that makes your business successful?				
9.	What is the major weakness of your business?				
10.	What do you enjoy most about running the business?				
11.	What are the negative aspects of the business?				
12.	Do you believe the demand for your child care services is increasing or decreasing? Why?				

# Clarita's Kids Market Research

## 1. The Competition.

### a. Who are your competitors?

Business	Yrs in Bus.
Teddy Bear Kid's Place	12
Smith Family Child Care	6
Imagine That	4

### b. How do their services compare with yours?

Their programs are fairly standard, except that each has something special to offer to their children. Teddy Bear teaches Japanese and Spanish words; the Smiths have children bake bread once a week; and Imagine That emphasizes creative play, e.g., costumes, interpretive dance.

## c. How do their rates compare with your tentative rates?

About the same.

## d. Where and how do they find clients?

Word of mouth, a church newsletter, and signs in the yard.

#### e. Who are their customers?

All three draw from families in the neighborhood. The parents work full time and seem to be mostly middle class.

## f. What are the strengths that make them successful?

All three have earned a good reputation in the neighborhood and report that the parents seem to like their programs.

#### Next page

#### Clarita's Kids Market Research - Continued

#### g. What are their weaknesses or limitations?

Two say they don't make enough money. All say that bookkeeping and tax preparation are challenging. Imagine That would like to hire someone and increase her capacity, but can't afford to yet.

### 2. Your Uniqueness.

I will offer nature and environmental education regularly. Also, since I speak Spanish, I will teach songs in Spanish.

**3. Your Customers.** What in your research indicates that you will have plenty of customers?

My competition tells me that the number of requests for their services goes up each year. Child Care Resources assures me that child care services are needed in my part of town.

#### 4. Market trends and vulnerabilities.

If unemployment rates go up, I will worry about the child care business. However, with the new laws that require TANF recipients to go back to work three months after having a baby, instead of one year, I expect the demand for infant care to increase. I will explore this market if necessary.

## 5. Sources consulted for market research beyond competitors.

Child Care Resource and Referral, public library.

## **WORKSHEET #9**

a.	Who are your competitors? (Name from 3 to 5 and tell had a thou have been in hydrogan)	ow
	long they have been in business.)  Business Yrs in Bus.	
<b>b.</b>	How do their programs compare with yours?	
2.	How do their rates compare with your tentative rates?	
d.	Where and how do they find clients?	

WORK	KSHEET #9 – Continued	
1	f. What are the strengths that make them successful?	
;	g. What are their weaknesses or limitations?	
2.	Your Uniqueness. Compared with your competition, what makes your services unique? Will your uniqueness give you a sales advantage? Explain.	
	Your Customers. What in your research indicates that you will have plenty of customers?	
	Market trends and vulnerabilities. Is the demand for your products or services growing? How do you know?	
5. \$	Sources consulted for market research beyond competitors.	

## 3. Emotional Barriers

"A one-person business can fail for a number of reasons. . . . The most common reason, and the least discussed is emotional stress."

-Claude Whitmyer and Salli Rasberry Running a One-Person Business

Have you smacked up against an emotional barrier yet? An **emotional barrier** is a feeling of fear, stress, or resistance that holds you back. If you haven't experienced it yet, you may in the weeks to come. Mother Nature throws up roadblocks when we venture into new territory, especially if we must learn new skills, practice new behaviors, or confront the unknown.

The challenges of planning a business are particularly difficult for those working alone. When fear, stress, or resistance wants to drive you under the covers in the morning, there's no boss or time clock to get you going. However, there are ways to push through the barriers:

1. Keep to a schedule. Using TLC (see Chapter 2), make your schedule and keep to it. Make it a habit. Like brushing your teeth, you don't *think* about it, you just do it. Claude Whitmyer and Salli Rasberry, authors of *Running a One-Person Business*, call this strategy "stabilization through routine." They say:

If you go to bed and get up at a different time each day, never eat regular food at a regular time, have no regular exercise, and in general lack any kind of dependable rhythm to your life, then you are bound to experience wide emotional swings.

On the other hand, if you decide on a certain routine and then simply do what needs to be done regardless of how you feel, you will soon find your emotions stabilizing.

**2. Keep moving.** Whether you feel like it or not, *take a small step*. There's nothing like an accomplishment, no matter how small, to raise self esteem and motivate the next step.

- **3. Name the fear.** At first you may not be aware of the thoughts behind your resistance. To flush them to the surface, focus your attention on the task you are resisting and complete the sentence: "I am afraid that ..." Don't be surprised if the sentence ends like one of these:
  - ... no one will want my services.
  - ... I'm really not cut out for this.
  - ... I don't have what it takes.
- **4.** Communicate the fear. Write it down in your journal; tell it to a friend. In her book, *The Artists Way*, Julia Cameron says that "blurting" the fears is the best way through them to the creativity on the other side. Until these fears are acknowledged and communicated, they are corks that bottle up your energy and creativity. Communication is liberating.
- **5.** Use a support group. This is the smartest strategy of all. Meet regularly with other budding entrepreneurs. Barbara Sher, success coach and author of *I Could Do Anything If I Only Knew What It Was*, calls such support groups "success teams." The understanding and compassion you receive can lift you out of isolation, restore your perspective, and dissolve barriers.

#### **≫** Brainstorm **≫**

Think about an emotional barrier you've encountered. Record how specific feelings and underlying thoughts affect you and your progress.

## Assignment

- 1. Learn these terms:
  - ☐ Feasibility Study
  - ☐ Market Research
  - ☐ *Your* Market

- ☐ *Your* Competition
- ☐ Emotional Barrier
- 2. Complete your Market Research (Worksheet #9).
- 3. Continue working on Personal Finances.



Interview lots of people.

Observe lots of competitors.

#### Part II. The Feasibility Study

# Chapter 4 Analyzing the Costs

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#### Terms to Look For

☐ Food Plan	☐ Overhead Expenses
☐ Sales Unit	☐ Start-Up Expenses

## Where Are We Now?

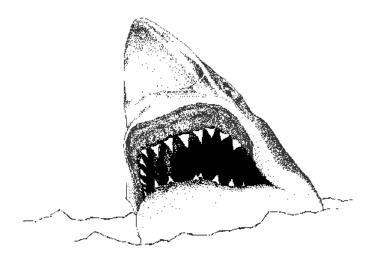
## **A TERRIFIC BUSINESS PLAN!** II. The Feasibility Study ✓ Market Research ☐ Cost Analysis I. The Foundation ☑ Self Assessment ☑ Business Idea ☑ Net Worth Statement **☑** Budget

## 1. Cost Analysis

What if your market research indicates that you will have plenty of customers? Would this mean your business will be profitable? Not necessarily! Unless costs are low enough to create a profit, your business will not be profitable – that means *it won't be feasible!* In this chapter and the next, we will explore the *profit potential* of your business idea, starting with three basic costs categories: *food expenses, other operating expenses, or overhead*, and *start-up*.

- □ **Food expenses** are a major cost for a child care business. They need to be carefully planned for, *and* you need to keep excellent records to satisfy the IRS.
- □ **Overhead expenses**, also called *operating expenses*, are the regularly occurring costs of operating your business. They occur whether you are making sales (receiving fee income) or not (e.g. utilities, rent, salaries, etc.).
- □ **Start-up expenses** are what are necessary to get your business operating.

#### Expenses eat profits!



Don't swim into business without a cost analysis.

### **Food Expenses**

Because *food expenses* are the most costly part of operating expenses for child care providers, they should be very carefully forecasted and recorded. Whether or not your business is feasible may depend on how you manage your food expenses. Also, if the IRS chooses to audit you, it most likely will be because of food expenses. Therefore, we will deal with this cost item very carefully in the following pages.

Figuring your food expenses can be done in four steps.

- **Step 1.** Determine your sales units.
- **Step 2.** Make a sample food plan for at least two (typical) days.
- **Step 3.** Make a shopping list and research prices for your sample food plan.
- **Step 4.** Calculate your average daily cost per sales unit.

#### **Step 1. Determine Your Sales Units**

A sales unit for a child care business is a category of care defined by the different prices that you charge. Examples:

SALES UNITS FOR CHILD CARE					
	Full Day	Half Day		Full Day	Half Day
Infant care	\$21.00	\$10.50	Preschooler care	\$18.50	\$9.50
DSHS subsidy preschooler care	\$17.00	\$8.50	Special needs toddler care	\$25.00	\$12.44
School age after school care	\$8	3.50	Toddler Care	\$19.00	\$10.00

Your units will be determined by what prices you charge and will be defined by age categories, age categories for a specific period of time, DSHS reimbursement, individual children, or other circumstances that impact the price that you charge.

**Example:** Clarita estimates that she will charge the same price for both of her infants, and a lower amount for her preschoolers. For planning purposes, she has two sales units: infant care and preschooler care.

#### Step 2. Make a Sample Food Plan

If you are already in business, choose two typical days from your meal plan. If you are not in business yet, talk to more experienced providers to get ideas for what you would serve. Be sure to include all meals: breakfast, lunch, dinner and all snacks. Write in the serving size next to each food item.

Example: Clarita's menu for her preschoolers for one day looks like this:

**Breakfast:** Granola bars (1), apples (3 oz), yogurt (4 oz), orange juice (4 oz)

**Snack:** Graham crackers (1), bananas (3 oz)

**Lunch:** Grilled cheese sandwich (2 slices bread, cheese (2 oz),

margarine (.5 oz), pears (3 oz), carrots (2 oz), milk (6 oz)

**Snack:** Popcorn (2 oz), grapes (4 oz)

**Dinner:** Baked chicken (3 oz), biscuits (1), mashed potatoes (3 oz),

green beans (2 oz), milk (6 oz)

#### Step 3. Make a Shopping List

For all of your food expenses and other supplies, you will need to research where to get the best deal. *The lower your costs, the higher your profit!* Listing the expenses for serving your children will help you estimate your profits in the next chapter.

How will you find the best place to purchase your food and other supplies? Your competition is a good source of information. In addition, you may visit or call several stores in order to comparison shop.

Start by making a shopping list. *Use your sample meal plan to list all the ingredients that go into the daily meals.* Then write in the price per item and where you found that item.

#### Partial Shopping List for Clarita's Kids

(Breakfast only for Unit 2, preschoolers)

#### **UNIT 2 - Preschoolers**

**Expense Category:** Food

ITEMS	COST/Quantity	WHERE TO BUY
Apples	\$ .99/lb.	Farley's Supermarket
Granola Bars	6.00/20	"
Yogurt	1.99/32 oz.	"
Orange Juice	3.19/64 oz.	

#### Instructions for Worksheet #10a

- 1. Write in your sales units (e.g., preschooler, after-schooler).
- 2. Make a list of the food supplies you will need for each unit per day. Your shopping list should be for at least two days worth of meals, but be sure to keep the lists separated by day so that you will later be able to calculate a daily cost.
- 3. Research the lowest price for each item and enter it along with where you can get it. Use extra sheets of paper if necessary.

#### WORKSHEET #10a

	Shopping	
SALES UNIT 1		
FOOD ITEMS	COST/Quantity	WHERE TO BUY
	Next page	

WORKSHEET #10a – Continued				
Shopping List				
SALES UNIT 2				
FOOD ITEMS	COST/Quantity	WHERE TO BUY		

#### Step 4. Calculate the Daily Cost Per Sales Unit

Now we come to the trickiest steps. You must determine what it costs to feed each of your units per day. Get out your calculator!

When dealing with food expenses, first find your *cost per serving*. For each item on your Shopping List (Worksheet #10), you will need to divide the **cost** by the **number of servings** that item provides. For example, Clarita estimated that a pound of apples will provide 5 servings. To find her cost per serving, she divided the cost (\$.99/lb.) by the number of servings provided (5). Her serving cost for apples is \$ .20.

Also, it is wise to add a contingency cost to cover unpredictable price hikes or unforeseen needs. Clarita includes a 10 percent contingency cost because she knows the cost of produce can fluctuate widely.

Next add up all of your cost per serving figures to come up with a total daily cost per unit.

# Clarita's Kids Food Per Unit – Preschoolers (Partial example – breakfast)

Formula: Cost / Number of Servings = Cost per Serving

ITEMS	COST PER QUANTITY	NUMBER OF SERVINGS	COST PER SERVING
Apples	\$ .99/lb	5	.20
Granola Bars	6.00/20	20	.30
Yogurt	1.99/32 oz.	8	.25
Orange Juice	3.19/64 oz.	16	.20
Subtotal			0.95
Contingencies			10
TOTAL DAILY BREAKFAST FOOD COST \$1. (for Unit 2 - preschoolers)			

#### SK

## Lowering expenses increases profits.

#### Instructions for Worksheet #10b

- 1. Referring to your Shopping List, calculate your cost per serving for each sales unit.
- 2. Add up all of your serving costs for all meals/snacks to find the total daily cost per sales unit. To save time, come up with an average daily food cost based on the two days of typical meals you've selected. If you are not yet in business, call two child care business owners to find out daily food costs, and if applicable, use their figures in addition to your own estimates to help you plan.

#### WORKSHEET #10b

UNIT 1:			
TEMS	COST PER QUANTITY	NUMBER OF SERVINGS	COST PER SERVING
			\$
			\$
			\$
			\$
			\$
			\$
			\$
			\$
			\$
			\$
			\$
			\$
			\$
			\$
			\$
			\$
			\$

KSHEET #10b – (	Continued		
<b>Daily Food Cost Per Unit</b>			Unit
Formula:	Cost / Number of	f Servings = Co	st per Serving
UNIT 2:			
ITEMS	COST PER QUANTITY	NUMBER OF SERVINGS	COST PER SERVING
			\$
			\$
			\$
			\$
			\$
			\$
			\$
			\$
			\$
			\$
			\$
		<del></del>	\$
			\$
			Ψ \$
			*
			\$
			\$
			\$
			\$

### **Other Operating Expenses**

In addition to food, you will have *other operating expenses*, or **overhead.** These expenses are the regularly occurring costs of operating your business. Unlike food expenses, which go up or down according to the number of children you care for, overhead stays relatively stable. **Examples:** 

Rent	Utilities	Office supplies
Advertisements	Cleaning supplies	Maintenance
Loan payments	Staff expenses	Training expenses

Make a list of all your business expenses and the amount you spend each month. Try to categorize them by type of expense, as in the example above, as this will help you manage your expenses and make it easier to prepare your tax returns. The important point to remember is to include all of your expenses in the planning process. Having accurate, consistent information is the most critical outcome, not how you categorize.

#### Clarita's Overhead Expenses (partial list)

Mileage \$20 for transportation

Promotion \$20 for newsletters, mailings, etc.

Office supplies \$ 5 for invoices, pens, ledgers, etc.

Cleaning supplies \$20 for cleaners, sponges, etc.

Equipment \$50 for replacement toys, craft supplies, etc.

Training \$10 for on going STARS training

#### **Staff Expenses**

If your in-home child care is large enough to require employees, staff costs will constitute a large portion of your other operating expenses. Take care to include not only the salary but also an additional 30% for benefits and employee taxes when predicting staff expenses.

Determining an adequate salary can be a daunting task for in-home child care providers who have never hired an employee. Setting a salary schedule can help organize the process and make it fair for both parties. An in-home child care can establish a salary schedule based on their size and what behavior they want to reinforce. The following salary schedules can be set up to determine an hourly wage or a yearly salary.

**Basic Salary Schedule:** A simple salary schedule can be very effective. Some in-homes simply list every position along with the starting, middle, and high-end salaries.

**Traditional Salary Schedule:** You are probably familiar with the traditional salary schedule known for its grid-like structure. The traditional schedule takes an employee's years of experience and level of education into account to determine how much they will be paid over the base wage. Most in-home child care businesses probably do not need a system this complex.

**Performance Based Salary Schedule:** This salary schedule allows you to give your employees a more personal evaluation. This method works well to encourage employees to perform to the best of their abilities by using a point system to determine starting salaries and raises.

First you must decide your base salary, or the starting salary you will pay your lowest paid employee. Next you will assign point values to different positions, different education levels and different performance levels. (See example.) Add up the points for your employee and multiply that number by the base salary you decided on to determine a salary.

The method you use should be consistent and allow room to grow.

#### Instructions for Worksheet #11

- 1. Review Clarita's Salary Schedule on the next page.
- 2. Determine your base salary.
- 3. Decide what value you want to assign for each job category, each level of education, and performance level. These numbers should reflect your in-home's values.
- 4. Make up an ideal applicant with the experience you want and determine how much they would make in a starting position at your in-home child care. First check the boxes that apply to your applicant. Next add up the points and multiply them by your base salary.

#### **\$ Additional Salary Costs \$**

Staff benefits and sick time will add an additional 15% to gross payroll. Quarterly payroll taxes will also add 15% to the gross payroll. These extra costs include unemployment insurance, L&I, payroll taxes, etc. Contact an accountant and the necessary state agencies to figure these costs, and don't forget to add them into the operating budget. (See **Bookkeeping Resource Sheets**)

Clarita's Perforn  1. Base Salary		Based Salary Schedule Of per hour
2. <u>Job Category</u>	<u>Points</u>	
Teacher Aide	1.00	X
Assistant Teacher	1.2	
Teacher	1.5	
		Total Section Points: 1.00
3. Education / Training	<u>Poi</u>	<u>nts</u>
AA Degree	.05	
ECE related AA Degree	.10	X
BA/BS Degree	.10	
ECE Related BA/BS Degree	e .20	
Master's Degree	.15	
ECE related Master's Degre	ee .30	
		Total Section Points: .10
4. Experience/Performa	ance l	<u>Points</u>
Satisfactory Performance	.0	2 for each year =
Above Average Performan	ce .0	)4 for each year =
<b>Excellent Performance</b>	.0	6 for each year =
5 T (	o 1	Total Section Points: 0
5. Total Points x Base \$	_	
1.10 x \$7.00	= \$7.	70 per hour

#### **WORKSHEET #11**

Performance E	Based Salary Schedule	
1. Base Salary	per hour	
2. Job Category Poir	<u>nts</u>	
Teacher Aide  Assistant Teacher  Lead Teacher		
3. Education / Training	Total Section Points:	
AA Degree  ECE related AA Degree  BA/BS Degree  ECE Related BA/BS Degree  Master's Degree  ECE related Master's Degree		
	Total Section Points:	
4. Experience/Performance	<u>Points</u>	
Satisfactory Performance Above Average Performance Excellent Performance	for each year = for each year = for each year =	
	Total Section Points:	
5. Total Points x Base Salary = New Wagex \ = \ per hour		

#### **Setting Your Salary Schedule**

Salaries are generally based on all or some of the following factors: position, training, experience and performance. On Worksheet #11 you rated these according to how you value them. Now it is time to determine how these values will be upheld for employees throughout their time as your employee.

Your operating plan and employee handbook should contain information regarding how raises are determined. Are they based on how long an employee has worked for you, or how much their activities have improved, or both?

Before considering merit based raises, you should be certain that you will be able to give cost of living raises. Unfortunately, child care employees are usually paid very little. Anyone living so close to the poverty level needs cost of living increases in their pay because the effects of inflation will hit them harder than those at higher income levels.

#### Instructions for Worksheet #12

Review the first two sections of Clarita's Cost Analysis.

- Enter your food expenses from Worksheet #10b.
- 2. List your other overhead costs *per month*. If you plan to hire an employee, use your salary schedule from Worksheet #11 to determine staff costs. For promotion needs, refer to your market research and call around for prices.

## **Start-Up Expenses**

**Start-up expenses** are what get your business started. Some of these expenses will occur just once, and others will occur either once a year (such as insurance premium or license renewal), or occasionally (such as replacement of equipment). **Examples:** 

Equipment Licenses/Permits Initial Food & Overhead Professional fees Insurance Training/Education Deposits (rent, etc.) Displays/Signs Computer Business cards Telephone Initial advertisements

An accurate list of your start-up expenses will help you determine what needs to be done to open your business and how much up-front money you will need before your business is ready to begin operating. You should also plan any major purchases you intend to make in the future, especially if you will be expanding your services or increasing your number of slots. You may need to make a few calls to get prices.

#### Instructions for Worksheet #12 (Continued)

Review Clarita's Cost Analysis (next page). Then complete Section 3 of Worksheet #12.

This completes your Cost Analysis.

### Clarita's Kids **Cost Analysis**

#### **Daily**

1. Daily Food Cost per Unit.

Unit	Description	Food/day
Unit 1	Infants	\$2.50
Unit 2	Preschoolers	\$6.00

**Monthly** 

2. Overhead	Cost per Month	Notes
Mileage Promotion Office Supplies Cleaning Supplies Other Misc.	\$ 20.00 \$ 20.00 \$ 5.00 \$ 20.00 \$100.00 \$ 45.00	For marketing and deliveries Flyers, mailings, etc. Invoices, pens, ledgers, etc. Cleaners, sponges, etc. Parties, educational supplies, etc. Reserve fund
TOTAL OVERHEAD COST PER MONTH	\$210.00	

Cost	Where to Buy/Notes
\$150.00 \$ 75.00 \$300.00 \$350.00 \$100.00	Bus. cards, parent handbook, etc. Playpen, kitchen items National Trust Food, toys
	\$150.00 \$ 75.00 \$300.00 \$350.00

#### WORKSHEET #12

		Cost Ar	nalysis	
1.	Unit 1	t per Unit Description		Food/day \$ \$ \$ \$
2.	Overhead Month	Cost Per	Notes	
	Office supplies Auto expenses Business phone Payroll  TOTAL OVERHEAD COST PER MONTH	\$		
3.	Start-Up License/Permits Professional Fees Training/Classes Promotion/Ads Equipment Insurance Deposits Initial Food Supplies Initial Overhead	Cost  \$ \$ \$ \$ \$ \$ \$	Where to	Buy/Notes

## 2. Insurance

Purchasing the appropriate types of insurance for your business not only protects your assets and cash flow, but also marks you as a professional. Many clients will ask about your insurance coverage, and state programs may require it. The cost is low considering the benefits.

Three types of insurance are of particular importance to child care providers: (1) Liability, (2) Accident/Medical, and (3) Automobile.

### **Liability Insurance**

Liability coverage for your child care business may be available through your homeowner or renter policy in the form of "extended coverage." Normally, however, extended coverage will not provide all the protection you need. The cost of a policy designed for child care providers is relatively low considering the risks you face. A good policy may include:

\$1 million for general and personal injury liability
\$1 million for professional liability
\$100,000 for "sexual action"
\$1000 for medical expense per person (applies only if a client brings lega
action for medical expenses.)
\$5000 for property coverage (includes personal property and personal
belongings under the control of the business owner.)

#### **Accident/Medical Insurance**

In the event that you need to sign a child into an emergency room or call 911 for treatment, it is wise to carry your own insurance. Parents' insurance may have deductibles and co-payments, leaving you with a bill or a long wait for reimbursement. Some parents may have no health insurance. For very little cost, you can purchase accident/medical insurance. A good policy may include:

☐ No deductible or co-payments	(if	possible	)
--------------------------------	-----	----------	---

	-	
	\$250,000 for accident/medical expensions \$2000 for dental \$5000 for accidental death \$10,000 for accidental dismembern	
	ee Insurance Resource sheet for a list ome child care insurance coverage in	et of insurance providers that offer in- Washington State.
	Automobile	e Insurance
ch yo	• • •	2
	Assig	nment
1.	Learn these terms:	
	☐ Food Plan ☐ Sales Unit	<ul><li>☐ Overhead Expenses</li><li>☐ Start-up Expenses</li></ul>
2.	Prepare a TLC (time management analysis. Explain how it did or did	· -
3.	Complete:	
	Worksheet #10a. Shopping List Worksheet #10b. Daily Food Cost	per Unit

Worksheet #11 Salary Schedule Worksheet #12. Cost Analysis

### Part II. The Feasibility Study

# Chapter 5 Exploring Profitability

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## Where Are We Now?

## A TERRIFIC BUSINESS PLAN!

#### II. The Feasibility Study

- ☐ Cash Flow Projection
- ☐ Sales Forecast ☐ P & L Projection
- ☑ Market Research ☑ Cost Analysis

#### I. The Foundation

- ☑ Business Idea☑ Self Assessment
- ☑ Net Worth Statement ☑ Budget

## 1. Exploring Profitability

Exploring profitability means looking at numbers. Numbers help answer vital questions, such as:

- ♦ How much can I charge?
- ♦ How many slots should I fill?
- ♦ How much income will my business produce?
- ♦ How will expenses affect profits?
- ♦ When will my business break even?
- ♦ Will I have enough cash to run my business until it is profitable?
- ♦ When will my business be able to pay me a decent salary?

... and so on.

The tools for organizing the numbers are called **financial statements**. Since you are exploring future profitability, your financial statements at this stage must be *forecasts* or *projections* (that is, the numbers are educated guesses). Three statements will enable you to explore the profitability of your business and determine if your business is feasible: a *Sales Forecast*, a *Profit & Loss* (P&L) Projection, and a Cash Flow Projection.



### **Setting the Right Price**

Determining how much to charge can be a daunting task for family child care owners. The fees you charge will provide the financial base for your business and your income. Setting your fees, explaining them to parents, and collecting them are necessary tasks. Collecting the fees is often a problem for family child care owners who are unsure about how to approach the topic with parents. (Fee collection is discussed in detail in Chapter 7.)

Pricing is as much an art as it is a science. Usually it takes trial and error to set prices that will attract buyers and turn a profit at the same time. The process may involve intuition and creativity along with continual market feedback. The local Child Care Resource and Referral can tell you the market rate for your particular child care service. That number will be a good starting point. From there you can follow the steps of the checklist below to decide how your fees may vary from the current market rate.

According to the Small Business Administration, wrong pricing is a major reason that businesses fail. It pays to go for the *right price* from the beginning.

**Price** is the amount of money you will charge for your products or services. The **right price** is one that allows you to make a profit while satisfying customers.

**Pricing** is the process of balancing four variables: *competitors' prices*, the *unique qualities of your product or service*, your *costs*, and *customer acceptance*.

#### Checklist

Competitors' Prices. Have you checked the prices of your competition?
Competitive Edge. If your or services are priced below the competition, are you sure that your prices will give you a competitive edge and not erroneously communicate a lower quality?

<b>Your Uniqueness.</b> If your prices are above the competition, do they reflect additional quality, such as flexible hours, special programs, better food, etc.?
<b>Costs.</b> Will your prices be high enough to cover food and other overhead expenses as well as an owner's draw?
<b>Customer Acceptance.</b> Have you tested your prices on friends and potential customers?

#### **Sales Forecast**

When you know how much your competition charges, and you've identified your potential customers and set your prices, you are ready to make a *Sales Forecast*. A **Sales Forecast** is an estimate of how many children you will care for each month and the resulting *sales* (or fee) income. If you intend to participate in a food subsidy program, your forecast must include an estimate of the subsidy.

Perhaps you have researched the market to the best of your ability and still think you don't have enough information to forecast your income. That's okay; just make it up! Even with guesses, the Sales Forecast will provide valuable insights into your income potential.

#### Instructions for Worksheet #13

- 1. Review Clarita's Sales Forecast on the next page.
- 2. Complete your Sales Forecast as follows:

Lines 1, 4, 7, 10. Using the information from your market research (Worksheet #9) and cost analysis (Worksheet #12), enter the prices you intend to charge.

Lines 2, 5, 8, 11. Referring to your market research (Worksheet #9), enter the number of children (slots filled per unit category) you believe you will care for each month. Pay careful attention to variables that may affect your income, such as holidays, vacations, and seasons.

Lines 3, 6, 9, 12. Compute Sales Income:

# of Slots Filled x Price = Sales Income

#### Clarita's Sales Forecast – Year 2002

#### Formula for calculating "Sales Income": # Slots Filled x Price = Sales Income

Month:	1	2	3	4	5	6	7	8	9	10	11	12	1 Yea	r Totals
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec		Income
UNIT 1 (Infants)														
1. Price	650	650	650	650	650	650	650	650	650	650	650	650		
2. # Slots Filled	1	1	1	1	1	1	2	2	2	2	2	2		
3. Sales Income	650	650	650	650	650	650	1300	1300	1300	1300	1300	1300		11700
UNIT 2 (Prscirs)														
4. Price	600	600	600	600	600	600	600	600	600	600	600	600		
5. # Slots Filled	2	2	2	2	2	2	3	3	3	3	3	3		
6. Sales Income	1200	1200	1200	1200	1200	1200	1800	1800	1800	1800	1800	1800		18000
7. Food Subsidy							180	180	180	180	180	180		1080
8. TOTAL INCOME	1850	1850	1850	1850	1850	1850	3280	3280	3280	3280	3280	3280		30780

WORKSHEET	#13			Salos	Eor	0026	+ V	oar:						
Formu	ıla foı	r calcı						•			e = S	ales lı	ncome	<b>;</b>
Month:	1	2	3	4	5	6	7	8	9	10	11	12	1 Year	Totals
Name of Month														Income
UNIT 1														
1. Price														
2. # Slots Filled														
3. Sales Income														
UNIT 2														
4. Price														
5. # Slots Filled														
6. Sales Income														
UNIT 3														
7. Price														
8. # Slots Filled														
9. Sales Income														
UNIT 4														
10. Price														
11. # Slots Filled														
12. Sales Income														
13. Food Subsidy														
14. TOTAL INCOME Add: 3+ 6+ 9+12+13														

# **Profit & Loss Projection**

Clarita was happy with her Sales Forecast. Wouldn't you feel the same way if you saw a potential for lots of income? Actually, it's too soon to draw conclusions because expenses have not yet been considered. A **Profit & Loss Projection** deducts expenses from income to show your projected *net profit*.

**Net profit** is normally defined as income minus all expenses. However, for the purposes of this workbook we will exclude loan payments and owner's draw from the P & L Projection. We will plan for loan payments and owner's draw as part of the Cash Flow Projection. Taxes will be further addressed in Chapter 8.



#### When Will Your Business Break Even?

To **break even** means that your sales income is equal to your expenses. Beyond the **break even point** is pure profit – that is, money for expanding your business and paying yourself.

# SK

Don't be alarmed if your business does not break even in the first year. This is so common that the IRS allows new businesses to claim a loss for three out of the first five years before it questions whether the business is really serious about making money.

#### Exercise

Review Clarita's P&L Projection. When will her business break even?

## Instructions for Worksheet #14

Complete your own P&L Projection as follows:

Line 1: Enter INCOME from Line 14 of your Sales Forecast. Add in any other business income such as food program subsidies.

Lines 2 and 3: Enter total food expenses for each month. To obtain this figure, multiply your daily food cost figures (from your Cost Analysis, Worksheet #12) by the total number of working days per month for each unit (which depends on how many children are in that category and how many days you care for them). Examples:

Infants:	Month 7 (July)
Unit 1 Daily Food Cost x	\$ 2.50
# of days (2 infants	
at 20 days each)	<u>40</u>
Subtotal	\$100.00
Preschoolers:	Month 7 (July)
Unit 2 Daily Food Cost ×	\$ 6.00
# of days (3 prsclrs	
at 20 days each)	<u>60</u>
Subtotal	\$360.00
Total Food Expenses	\$460.00

**Line 5:** Enter OVERHEAD expenses from the total on your Cost Analysis.

Line 6: Enter START-UP expenses when applicable.

Lines 7 and 9: Do the math as directed.

Line 8: Plan for your tax bill. Estimate your annual taxes and divide by twelve. Set aside your tax money each month.

# Clarita's P&L Projection – Year: 2002

N# 41	1	<b>F</b> . I.	N.A	A!I			1	A	01	0-4	N1	<b>D</b>	Voorby
Month →	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Yearly
	4070.00	4070.00	4070.00	4070.00	4050.00	4050.00	2222 22		2222 22	2222 22	2222 22	2000 00	Totals
1. Income	1850.00	1850.00	1850.00	1850.00	1850.00	1850.00	3280.00	3280.00	3280.00	3280.00	3280.00	3280.00	30780.00
2a. Unit 1 Food x	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	
# of days	21	21	23	20	22	22	40	46	40	44	42	40	
Subtotal	52.50	52.50	57.50	50.00	55.00	55.00	100.00	115.00	100.00	110.00	105.00	100.00	
2b. Unit 2 Food x	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	
# of days	42	42	46	40	44	44	60	69	60	66	63	60	
Subtotal	252.00	252.00	276.00	240.00	264.00	264.00	360.00	414.00	360.00	396.00	378.00	360.00	
3. Total Food Cost Add Food Subtotals	304.50	304.50	333.50	290.00	319.00	319.00	460.00	529.00	460.00	506.00	483.00	460.00	4768.50
<b>4. Profit after food</b> Line 1 – Line 3	1545.50	1545.50	1516.50	1560.00	1531.00	1531.00	2820.00	2751.00	2820.00	2774.00	2797.00	2820.00	26011.50
5. Overhead	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	210.00	2520.00
6. Start-up	0	0	0	*1000.00	0	**200.00	0	0	0	0	0	^425.00	1625.00
7. NET PROFIT OR (LOSS) (Before taxes) Line 4 – Lines 5 & 6	1335.50	1335.50	1306.50	350.00	1321.00	1121.00	2610.00	2541.00	2610.00	2564.00	2587.00	2185.00	21866.50
8. Estimated Taxes (*1)	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	4500.00
9. NET PROFIT OR (LOSS) (After taxes) Line 7 – Line 8	960.50	960.50	931.50	(25.00)	946.00	746.00	2235.00	2166.00	2235.00	2189.00	2212.00	1810.00	17366.50

<sup>(\*1)</sup> Based upon net income of \$21,000 (15.3%) and taxable income of \$9280 (15%)

WORKSHEET #14													
	P&L Projection – Year:												
Month →	1	2	3	4	5	6	7	8	9	10	11	12	Yearly
													Totals
1. Income													
2a. Unit 1 Food x													
# of days													
Subtotal													
2b. Unit 2 Food x													
# of days													
Subtotal													
2c. Unit 3 Food x													
# of days													
Subtotal													
2d. Unit 4 Food x													
# days													
Subtotal													
3. Total Food Cost													
4. Profit after Food													
Line 1 – Line 3													
5. Overhead													
6. Start-up													
7. NET PROFIT OR													
(LOSS) (Before taxes)													
Line 4 – Lines 5 & 6  8. Estimated Taxes													
9. NET PROFIT OR (LOSS) (After taxes)													
Line 7 – Line 8													

# **Cash Flow Projection**

It takes money to purchase equipment and supplies. An inflow of cash from your owner's investments, loans, fee income and food subsidies must match or surpass expenses. A *Cash Flow Projection* helps you keep a positive cash flow.

A **Cash Flow Projection** displays income from all sources, and all expenses. The bottom line is your monthly cash position. The bottom line helps you answer crucial questions, such as:

- ♦ How much start-up money do I need? When do I need it?
- ♦ How much can the business pay me? When can it pay me?

# **How Much Start-Up Money Will You Need?**

It is vitally important to plan how much money you will need to start or expand the business. Perhaps you will need a loan or an **owner's investment**, which is personal money that you put into the business. If you borrow too much, the payments may overburden the business. Too little start up money may mean you won't be able to pay your bills on time. Use a Cash Flow Projection to determine when and how much to invest or borrow.

# How Much Can Your Business Pay You?

You are in business to create an income for yourself. Pay yourself when the time is right. Your Cash Flow Projection will show your estimated cash position from month to month so that you can plan your *owner's draw*.

Owner's draw is the money you take out of the business for personal use.

#### Exercise

Review Clarita's Cash Flow Projection.

- 1. Should her start-up loan have been larger or smaller?
- 2. Does her owner's draw look realistic?

#### Instructions for Worksheet #15

Complete your Cash Flow Projection as follows:

- Line 1. Start with your cash on hand.
- Lines 2-4. Enter your start up cash.
- Line 5. Total Lines 1-4.
- **Line 6**. Enter the NET PROFIT (or LOSS) after taxes for each month from Line 9 of your P&L Projection.
- Line 7. The purpose of this SUBTOTAL is to help you determine how much of a loan payment you can afford.
- Line 8. Your lenders can tell you the amount and duration of your loan payments.
- **Line 9**. The purpose of this SUBTOTAL is to help you determine your owner's draw.
- Line 10. Enter an OWNER'S DRAW when possible. Even a very small amount provides an incentive to increase profits so that you can plan to give yourself raises.
- **Line 11**. Subtract OWNER'S DRAW from Line 9 to find your ENDING BALANCE. Transfer this amount to your next month's BEGINNING CASH.

# Clarita's Cash Flow Projection – Year: 2002 - 2003

Month →	*Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Totals
1. Beginning Cash	100.00	25.00	262.50	300.00	308.50	360.50	303.50	46.50	201.50	287.50	442.50	551.50	
2. Loan					1000.00								1000.00
3. Owner's Investment	200.00												200.00
4. Other (credit card)	700.00												700.00
5. Cash Available Add Lines 1-4	1000.00	25.00	262.50	300.00	1308.50	360.50	303.50	46.50	201.50	287.50	442.50	551.50	
6. Net Profit (Loss) from P&L Projection (Line 9)	(975.00)	960.50	960.50	931.50	(25.00)	946.00	746.00	2235.00	2166.00	2235.00	2189.00	2212.00	
7. Subtotal Line 5 + Line 6	25.00	985.50	1223.00	1231.50	1283.50	1306.50	1049.50	2281.50	2367.50	2522.50	2631.50	2763.50	
8. Loan (& credit card) Payments		123.00	123.00	123.00	123.00	203.00	203.00	80.00	80.00	80.00	80.00	80.00	1298.00
9. Subtotal Line 7 – Line 8	25.00	862.50	1100.00	1108.50	1160.50	1103.50	846.50	2201.50	2287.50	2442.50	2551.50	2683.50	
10. Owner's Draw		600.00	800.00	800.00	800.00	800.00	800.00	2000.00	2000.00	2000.00	2000.00	2000.00	14600.00
11. ENDING CASH Line 9 - Line 10	25.00	262.50	300.00	308.50	360.50	303.50	46.50	201.50	287.50	442.50	551.50	683.50	

<sup>\*</sup> Represents start-up month before earning an income from the business.

#### Transfer ENDING CASH to next month's BEGINNING CASH

WORKSHEET #15					-			-					
	Cash Flow Projection – Year:												
Month →	1	2	3	4	5	6	7	8	9	10	11	12	Totals
1. Beginning Cash													
2. Loan													
3. Owner's Investment													
4. Other													
5. Cash Available Add Lines 1 thru 4													
6. Net Profit (Loss) from P&L Projection													
7. Subtotal Line 5 + Line 6													
8. Loan Payments													
9. Subtotal Line 7 – Line 8													
10. Owner's Draw													
11. ENDING CASH Line 9 - Line 10													

## Transfer ENDING CASH to next month's BEGINNING CASH

# 2. Ways to Finance Your Business

Where will you get the money to start your business and keep it running until it breaks even?

**Start-up money** comes from outside the business, unlike sales income, which comes from business operations. While start-up money is usually needed to start a business, it may also be needed periodically to expand the business or "buy time" until expected income is received.

The main sources of start-up money are: investments, loans, credit cards, and gifts or grants. Which is the most likely source for you? ☐ Investments. The typical investment for a micro-business is from the owner's savings. When the owner pays expenses from personal money, the amounts paid should be recorded as an "owner's investment." Friends, family, or other people may invest money in the business as well. An "investment" means that the investor wants a return on his or her money. ☐ **Loans.** Unless you are in a business-training program that provides loans, they are hard to come by for new businesses. Lenders look for a track record or collateral. Collateral is something of value that you pledge to a creditor to guarantee the loan payments, such as an automobile, home, or savings account. The typical small-business lender is a commercial bank. The bank can advise you on special loan programs (such as Small Business Administration Loan Guarantees) for which you might qualify. There are a few loan programs in Washington State that focus on giving loans to child care businesses and/or small businesses (see Funding Sources Sheet). ☐ Credit Cards. Credit card purchases can be a help to your business if purchases and payments are pre-planned. Otherwise, high interest rates and unplanned spending can sink your business into debt and ruin your credit. Use credit cards for short-term needs. Pay in full monthly payments when possible. If full payment is not possible, plan the payments on your Cash Flow Statement ☐ Gifts or grants. Some lucky entrepreneurs have family or friends that contribute money to the business. Look to the Funding Sources sheet for organizations that give grants to child care owners who meet their guidelines.

# Instructions for Worksheet #16

Specify the sources and amounts of your start-up money.

#### **WORKSHEET #16**

Sources of Start-Up Money Amount								
1. Total amount needed:	\$							
2. Sources:								
	\$							
	\$							
	\$							
	\$							
	\$							
	\$							
	\$							

# Assignment

#### 1. Learn these terms:

□ Pricing	☐ Break Even
☐ Sales Forecast	☐ Cash Flow Projection
□ Net Profit	☐ Owner's Draw
☐ Profit & Loss Projection	☐ Owner's Investment

#### 2. Complete:

Worksheet #13. Sales Forecast

Worksheet #14. Profit & Loss Projection

Worksheet #15. Cash Flow Projection

Worksheet #16. Sources of Start-Up Money

If your business seems to be keeling over, DON'T GIVE UP!

There may be ways to make it sail.



# Part II. The Feasibility Study

# Chapter 6 The Big Decision

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MAKING YOUR DECISION	
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# Where Are We Now?

# A TERRIFIC BUSINESS PLAN!

### II. The Feasibility Study

☐ Cash Flow Projection ☐ Feasibility Decision

☑ Sales Forecast ☑ P & L Projection

☑ Market Research ☑ Cost Analysis

#### I. The Foundation

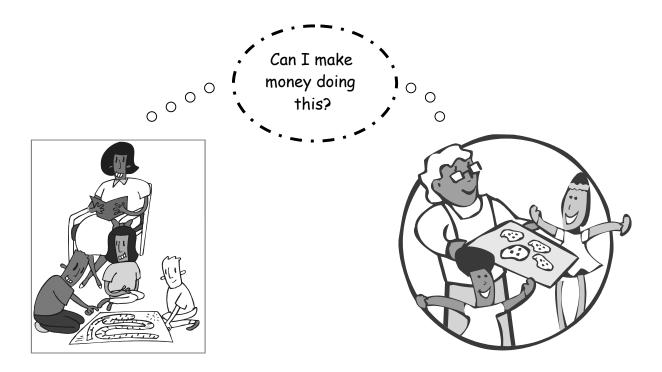
☑ Business Idea
☑ Self Assessment

☑ Net Worth Statement ☑ Budget

# 1. Feasibility Analysis

If you have completed your assignments up to this point, you have a good basis for deciding if your business will be profitable enough to meet your goals.

If your Profit & Loss Projection does not show a profit, you may still have a feasible business. As said before, most new businesses run at a loss at first. It takes time to build up a customer base, develop an effective marketing strategy, perfect one's products and services, and recoup start-up expenses. Consider your business feasible at least until you have studied *options for increasing profitability*. Once you have done that, you will be ready to make your feasibility decision.



# **Options for Increasing Profitability**

Because your business is unique, it may take some creative measures to improve its potential profitability. For starters, here are some options that usually work. Check the ones that may apply to you. Add other possibilities. **□** Borrow Time Because most new businesses cannot make a profit in the first month, most use loans or owner's investments (from the owner's savings) to help them grow to the point of self-sustainability. Start-up money lends you time. When you borrow time, you must have a solid plan in place showing when and how your business will break even. ☐ Cut Expenses Remember that in addition to overhead, expenses include your owner's draw. Keep a satisfactory wage in your budget and strive to make enough income to cover it. Search through all expenses to see where cuts may be made. Comparison shop for the lowest price on supplies and other needs. Every dollar saved by cutting costs is like a dollar earned! Earn More This may require adding more hours to your week or increasing the number or slots. It may also mean more and better marketing to get more customers. How can you earn more? ☐ Adjust Fees Depending on your business, either raising or lowering your rates may increase profitability. Either strategy needs market-wise justification. See "Setting the Right Price" Chapter 5.

□ Other (If you think of something else, write it down!)

# **Making Your Decision**

It is time to make the big decision and defend it! No feasibility analysis can be 100 percent accurate. At best, it is an educated guess based on the best and most relevant information you have. Some businesses that appeared highly feasible went on to fail; some "long shot" businesses excelled. Whatever you decide, remember that every business is at risk to some extent.

#### & Brainstorm &

Review Clarita's Feasibility Analysis.

- 1. Do you think that Clarita has supported her decision adequately?
- 2. Do you think that it would convince a lender that she can repay a \$1000 loan on time? Why or why not?

# Instructions for Worksheet #17

Complete your Feasibility Analysis. Be sure to make a good case for your decision.

### Clarita's Kids Feasibility Analysis

I have decided that my business is  $\square$  is not  $\square$  feasible based on the following factors:

- 1. Market Research. My Market Research indicates that the demand for quality child care is increasing. My competitors are doing well, and the number of requests for their services is going up every year. Child Care Resources says that there is a need for my type of services in my area.
- **2. Sales Forecast.** I anticipate \$29,700 in income the first year, and I expect to make \$37,000 the next year. This is because I am starting by caring for three children plus my own child, and then after six months increasing to five children plus my own, the maximum number I will be licensed for.
- **3. P&L Projection.** My P&L Projection indicates that my business will start making money right away, as long as I can finance some of my start up costs.
- **4. Cash Flow Projection.** I will expect a positive cash flow at all times. I expect to take out a loan to help with the purchase of some new equipment. My Cash Flow Projection shows that I will be able to afford the loan payments.
- **5. Owner's Draw.** I will pay myself \$800 to \$1000 per month at first and raise the amount when I start caring for the additional children. My goal is to pay myself \$2000 per month by August of my first year and \$3000 in my second year.
- **6. Start-Up Money.** I will need \$975.00 to start my business. This amount will come from my own investment of \$300 and by using a credit card to make the necessary purchases to get started and meet state licensing requirements. When I have additional start-up costs in order to add more children, I will take out a loan.
- 7. Back-Up Money. If for some reason my business cannot repay the loan, I can use my personal savings or my credit cards. If I have a good collection policy, I don't foresee any problems making loan or credit card payments.
- **8.** Options for Increasing Profitability. I will do some more aggressive marketing if all of my slots are not filled by May. Also, I will apply to a food subsidy program to get reimbursed for some of my food costs, and keep good records so I can deduct all allowable expenses in order to lower my tax bill.
- **9.** Self Assessment Strongest Qualities. I'm organized, persistent, and committed. I'll keep working to make improvements in my business management skills.
- **10. Self Assessment Weakest Quality.** *Objectivity. I need to keep working on how to deal with parents and not let them upset me.*

#### WORKSHEET #17

	reasibility Analysis	
	have decided that my business is $\square$ is not $\square$ feasible, based on the ollowing factors: (Comment on each factor.)	
1.	Market Research. Is there a market for your services? (Refer to market trends and any other relevant research.)	
2.	Sales Forecast. How much in fee income do you expect the first year? What do you expect your high and low months to be? Why?	
3.	. P&L Projection. Within how many months do you expect to break even?	
4.	. Cash Flow Projection. Do you expect any negative ending balances? If so, explain.	
5.	. Owner's Draw. When will you be able to pay yourself?	
	Next page	

WO	RKSHEET #17 – Continued
6.	Start-Up Money. How much will you need?
	Where will you get it?
7.	Back-Up Money. How will you make your loan payments if your
	business cannot pay them?
8.	Options for Increasing Profitability:
-	
<b>9.</b>	Self Assessment – Strongest entrepreneurial qualities:
1 <b>0.</b>	Self Assessment – Weakest quality and how you can overcome it:

# SK

Are you satisfied with your decision?

Was it based upon sufficient information?

# Assignment

**Complete your Feasibility Analysis** (Worksheet #17). Keep on file with the following worksheets for reference:

Worksheet #6. Business Idea (Chapter 2)
Worksheet #9. Market Research (Chapter 3)
Worksheet #12. Cost Analysis (Chapter 4)
Worksheet #13. Sales Forecast (Chapter 5)
Worksheet #14. P&L Projection (Chapter 5)
Worksheet #15. Cash Flow Projection (Chapter 5)

Congratulations on completing your Feasibility Study!



# Part II Cumulative Review

**1.** Which source of market information (competitors, newspaper, or common sense) did you find most helpful? Why?

2.	Give examples of:
	Overhead
	Start-up expenses
3.	<ul> <li>How can the following factors hurt your business?</li> <li>Inadequate research on food, overhead, and start-up expenses.</li> <li>No effort to buy supplies at the lowest prices.</li> </ul>
4.	Did you find similarities between making your P&L Projection and making a personal budget? Explain.
5.	Name one benefit you gained from doing your Feasibility Study.
6.	Name one realistic option for improving the profitability of your business.
7.	What emotional barriers did you experience while working on your assignments? Explain how you dealt with them.

**8.** What time management techniques did you use to complete your work?

<b>9.</b> By now	you shou	ıld ha	ve c	omp	letec	d the	follo	win	g as	signı	ments.	
•	Market Cost An Sales Fo P&L Pr Persona Cash Fl Feasibil	nalysioreca roject al Bud low P	is (W st (W ion ( dget Projec	Vorks Vorks Works (Works) (Works)	shee shee kshe rksh rksh	t #12 et # 1 eet # eet # orks	2) (3) (14) (# 5) (heet		)			
10. Circle to complet		er tha	t rep	rese	nts h	low 1	mucł	of	these	e you	ı have	
	0	1	2	3	4	5	6	7	8	9	10	
	have not onen do yo	_				_			hat	are y	our next ste	ps
		Next	t Ste	ps					Ta	arge	t Date	
<b>*</b> _			<del>:</del>				_					
• _		-					_					
• -							_	-				
<b>*</b> -							_	-		<del></del>		

# Part III Start-Up Plans

# Part III. Start-Up Plans

# Chapter 7 Marketing & Operating Plans

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## Terms to Look For

☐ Marketing Plan	Operating Plan
□ Logo	☐ DBA Account
☐ Tag Line	

# Where Are We Now?

# A TERRIFIC BUSINESS PLAN!

#### III. Start-Up Plans

☐ Marketing Plan

☐ Operating Plan

#### II. The Feasibility Study

☑ Cash Flow Projection

☑ Feasibility Decision

✓ Sales Forecast

☑ P & L Projection

☑ Market Research

☑ Cost Analysis

#### I. The Foundation

☑ Business Idea

☑ Self Assessment

☑ Net Worth Statement

☑ Budget

# 1. Marketing Plan

Don't fall into the trap of thinking that you will automatically have paying customers just because you have a great product or service to offer.

Marketing is what you do to attract customers. A Marketing Plan identifies the strategies. The following guidelines will help you develop *your* Marketing Plan.

#### **Guidelines**

1.		•	ng messages toward your
	customers' values. The	ese values might i	nclude:
	☐ Organic	☐ Efficient	□ Ethnic
	☐ Economical	0 1	☐ Good service
	☐ Artistic	☐ Convenient	1
	☐ Stylish	☐ Friendly	☐ Healthy
	☐ Other		
2.	•	ent for their childr	ducational, and well organized en, at reasonable rates. ach your target market?
	☐ Business cards	☐ Stationary	☐ Customized invoices
			☐ Newspaper ads
	☐ Speeches	☐ Workshops	☐ Television/radio
	☐ Signs (on cars, in	yard, etc)	☐ Internet
		irce & Referral	☐ Parent Handbook
	□ Other		
Cl	arita: I will use busine.	ss cards, flyers, a	sign in my yard, and
	selectively placed ne	wspaper ads. I w	ill also be part of the referral
	database that Child	Care Resources p	rovides to parents.

**3. Image Strategy.** "Image" includes not only the "packaging" and promotion of your services, but also your personal appearance, the way you treat your customers, and the decor and neatness of your work and living areas. All products and services convey an image; as a marketer, your job is to create an image that coincides with your customers' values.

Clarita: I will try to keep my home clean and orderly at all times. I will have plenty of educational materials and toys on hand. My home and yard will be safe for children. My Parent Handbook will be well organized and professional looking.



**Patti:** I will carry my pet grooming supplies in a "doctor's bag" and wear a blue "nurse's jacket" over jeans to convey a professional image.

**Sheena:** I will wear loose, East Indian style clothing as a uniform to convey a relaxed attitude. I plan to create a pleasant and relaxing ambiance for my massage room with soft music, candles, and fresh flowers next to the massage table.

**4. Tag Line.** A **tag line** is an often-repeated phrase that appears on promotional materials. Its purpose is to convey an image for your business.

Clarita's Kids: Learn, explore, and make friends.

Patti's Pet Services: Your house or mine?

Massage by Sheena: Put your stress in my hands.

**Best Cookies:** Better than Mom's. **Ms. Handyman:** Reliably yours.

**5. Logo.** A **logo** is a picture or design. Like a tag line, it conveys an image that will cause people to recognize or be attracted to your business. (Example: The golden arches of McDonalds.)

Clarita: I'll use a picture of children at play (from clip art) on my business cards and other promotional materials.

**Sheena:** I drew hands as my logo. The hands are in an open shape that suggests healing.

**Patti:** I drew two dogs and cat in a small circle. This logo will go on my business cards and flyers.

**6. Business Name.** Your business name should indicate what the business is or suggest values that appeal to your customers.

**Clarita:** "Clarita's Kids" reflects the personal nature of my business and suggests a loving environment.

**Carla:** "Ms. Handyman" indicates low prices, friendliness, and the fact that I'm a woman. Many women don't want strange men in their homes.

Patti: "Patti's Pet Services" suggests personalized service.

- **7. Free Promotion.** List all of the no-cost methods of promotion that you can use. Examples: word of mouth; telling people you meet at organizations and social events; press releases; presentations, and so on.
- **8.** List your initial marketing costs. Include only the promotional methods that you believe have the best chance of reaching your target market. Make the list affordable.

#### Clarita's cost list for start up promotion:

Business cards	\$ 25.00
Flyers	\$ 20.00
Printing (Parent Handbook)	<i>\$ 75.00</i>
TOTAL	\$120.00

# Instructions for Worksheet #18

Referring to the above guidelines, complete your Marketing Plan.

#### **WORKSHEET #18**

Marketing Plan	
1. Customers' Values. List three or more.	
2. Promotion Methods. Explain why each method was chosen.	
3. Image Strategy.	
4. Tag Line.	
5. Logo (if any)	
6. Business Name. Explain why you chose it.	
Next page	

VORKSHEET #18 - Continued	
. Free Promotion. List three or more method	ls.
<b>8. Marketing Costs.</b> Include every item that y from now through the first three months of y	
Item	Cost
1.	\$
2	\$
3	\$
4	\$
5	\$
6	\$
7	\$
8	\$
9	\$
10	\$
11	\$
12	\$
	\$

<sup>\*</sup>If this figure differs from your Cost Analysis, amend your Cost Analysis, P&L Projection, and Cash Flow Projection.

# 2. Operating Plan

An **Operating Plan** explains what it will take to open your business, including where you will operate your business, legal requirements (licenses, permits), how you will run your business, what supplies you will need, other expenses, and a timetable for accomplishing your goals and tasks. A **record keeping system** is also an essential part of the Operating Plan. However, because it is a larger topic, we will cover it separately in the next chapter.

Your **Parent Handbook** will cover most of these topics. Child Care Resource and Referral can help by providing you with sample handbooks, a sample outline, or a template for you to use when you are ready to write your own Parent Handbook. Be sure to include all of the items that are required by the state.

Refer to your licensing book to learn the required and suggested topics for your parent handbook. One of the most important roles of your Parent Handbook is to set the rules regarding your parent fee policy. If you establish the guidelines from the beginning and always refer back to them when parents have questions, you should not have a problem with collecting fees. A study of 150 child care centers done by Child Care Information Exchange found these fee policies to be the standard:

**Multi-Child Discounts**: Only half of the centers interviewed offered a multi-child discount. The discount ranged from 5% to 50%.

**Absence Policy**: Most of the centers had a lengthy absence policy because parents expect a refund for days their child is sick or on vacation. Most centers do not give a discount for absences and explain it in the parent handbook by saying that the center still needs to be prepared for that child with the appropriate staff and supplies whether or not the child is in attendance. Some centers will prorate a month if the child is gone at least two weeks.

**Payment Policy**: Today the standard is to collect payments in advance, rather than at the end of the month for the service that has already been provided. This system is not only a good safety net for you, it also makes it easier to budget and buy supplies since you will receive the money before you have to spend it.

**Withdrawal Policy**: Most centers in the study had very specific directions for withdrawing often asking for 30 days written notice.

Late Pick-Up Policy: Parents picking children up late can be an expensive problem. Eventually ten minutes here and fifteen minutes there will lead to hours of unpaid time for you. But, what can you do? If the child is still there, you must provide care for the child until the parent arrives. Monetary penalties seem to be the only deterrent in this case. If you make parents pay an additional fee when they pick up their child late it will end.

Late Fee Policy: The best way to avoid chronic late payments is to talk with your parents. When you open up the lines of communication, encourage parents to let you know ahead of time whether or not they will be able to make their payment. That way at least you can be prepared not to receive the money and you can work out a payment plan that is attainable for the family and will make it more likely that you receive the money. If you do decide to implement late fees, be sure that your policy clearly states when a payment is considered late and be sure to enforce the policy.

Remember write the handbook with a positive attitude. You want parents to respect your policies, but you do not want to scare them off with harsh or negative words as their welcome to your in-home child care.

## Instructions for Worksheet #19

1. Business Location. Where will your business be located?

Clarita: My child care business will take place in my home. I will use part of the space for an office where I will keep my computer and all of my files pertaining to the business.

2. Licenses & Permits. What are the legal requirements for your business? Request information and applications from your state, city, and county departments of licensing.

Clarita: I will need business licenses from the state and city, and a child care license from DSHS.

3. Other Operating Requirements. Include everything you need to get your business up and running.

Clarita: I need to buy equipment, supplies, and business cards; to finalize my daily schedule; and get my Parent Handbook professionally printed.

## **WORKSHEET #19**

1.	Operating Plan Business Location.
2.	Licenses & Permits.
3.	Other Operating Requirements.
4.	Parent Handbook attached? ☐ Yes ☐ No If no, indicate plans and timetable for completion.

# 3. Opening a Bank Account

If you are within a month of opening a business or getting a loan, now is the time to open a business checking account. Business money should be kept separate from personal money. The purposes of this account is to:

- ◆ Keep track of business income
- ◆ Keep track of business expenses
- ◆ Document tax-deductible expenses
- ◆ Write checks in the name of your business
- ◆ Deposit checks written to your business

Never mix (commingle) business money with personal money. The IRS wants your business account to be entirely separate. This separation is also essential to good business management.



Mixing business money with personal money is like washing white laundry with new red socks.

Many financial institutions, (e.g., banks, credit unions, and savings and loan institutions) offer *DBA Accounts*. **DBA** means, "doing business as" a business. Unlike regular business accounts they usually come with low fees or no fee at all.

# Instructions for Worksheet #20

Shop around for your business checking account. Call or visit at least three financial institutions and ask if they offer DBA accounts. Use Worksheet #20 on the next page to compare financial institutions.



## WORKSHEET #20

Bank Comparison							
	Barik Oc						
WHAT TO COMPARE	BANK 1	BANK 2	BANK 3				
SERVICES							
DBA accounts							
Loan services							
Credit card							
Debit card							
Lines of credit							
Business counseling							
FEES/INTEREST							
Overdraft fee							
Monthly fee							
Minimum Bal.							
Per check charge							
Interest paid							
OTHER							
Convenient location							
Existing relationship							
Interest in small							
businesses							
Friendliness							

# Assignment

4	-	4 1	4
	Learn	these	terme.
	1 // // 1		

☐ Marketing Plan	☐ Operating Plan
□ Logo	□ DBA Accounts

# ☐ Tag Line

## 2. Complete:

Worksheet #18. Marketing Plan Worksheet #19. Operating Plan Worksheet #20. Bank Comparison

SK

To stay ahead plan ahead!

# Part III. Start-Up Plans

# Chapter 8 Record Keeping Plan

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## Terms to Look For

Ш	Bookkeeping Journal	Ш	Income and Expense Accounts
	Self-Employment Tax		Schedule C
	Reconciliation (Checkbook)		Balance Sheet
	Profit & Loss Statement		Cash Flow Statement
	Real Property/Personal Property		

# Where Are We Now?

# A TERRIFIC BUSINESS PLAN!

## III. Start-Up Plans

✓ Marketing Plan

Operating Plan

## II. The Feasibility Study

☑ Cash Flow Projection

☑ Feasibility Decision

☑ Sales Forecast

☑ P & L Projection

☑ Market Research

☑ Cost Analysis

## I. The Foundation

☑ Business Idea

☑ Self Assessment

☑ Net Worth Statement

**☑** Budget

# 1. Setting Up Your Record Keeping System

The IRS and your child care licenser require **good record keeping.** A routine audit may occur within three years of your tax return. Audits of child care providers tend to focus on unreported income, the time-space percentage you use, food expenses, shared business and personal expenses, and business mileage. Interest and penalties may be charged for unverified expenses. The Division of Child Care and Early Learning requires a file for each child in your care. The file must be kept up-to-date and include a Child Care Home Register form, a Certificate of Immunization Status and a Permission Authorization form.

Your record keeping system should have four parts: *a bookkeeping system, financial statements, child files,* and *general files.* If it's a good one, it will enable you to:

- Keep track of every business transaction
- Keep track of your cash balance
- Know your profits and losses from month to month
- Find receipts and records when needed

In contrast, a poor record keeping system has many costs, including:

- *Your time*. You are likely to misplace or lose receipts and documents. At tax time you will have to spend time reconstructing income and expense transactions.
- Your money. Lost records may prevent you from returning faulty supplies or claiming expenses on your tax return.
- Your ability to manage your business. You won't be able to measure the progress of your business, keep track of your cash balance, set realistic financial goals, or compete well for business loans.



It takes time to set up a good record keeping system.



Once you've done it, keeping good records is easy.

# **Bookkeeping System**

Bookkeeping for a micro-business can be quite simple. You can do it by hand or computer. Either format can be the best way; depending on how many transactions you have each month and your personal preference. Whatever type of bookkeeping system you adopt, it must provide a well-organized way to record all income and all expenses. The better the book keeping system, the easier your job will be at tax time.

If you do not already have an efficient bookkeeping system, here's a very simple one that has three parts:

◆ Checkbook Register: Keeps track of every penny that goes in and out of your business checking account. It is a part of the checkbook.



♦ **Bookkeeping Journal:** A three-ring notebook for itemizing and categorizing the amounts going in and out of your checkbook (deposits and withdrawals).



◆ 12-Month Calendar: Keeps track of mileage and the business uses of your home that occur outside of regular business hours.

		Jan	uary 20	000		
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	16
17	18	19	20	21	22	23
24 30	25 31	26	27	27	28	29

# **Checkbook Register**

A checkbook register is for recording every *deposit* and *withdrawal* and calculating the checking account *balance*. Deposits will include client payments, bank interest, owner's investments, and loans. Withdrawals will include checks that you write, bank charges, and transfers of money out of the account.

	#	Description	*•	With- drawal	Deposit	Balance
4/1/00						319.50
4/7	Dep.	Client payments (4/3-4/7)			312.50	632.00
4/10	1165	Costco Food and supplies		102.45		529.55
4/11	1166	Loan Payment		50.00		479.55
4/13	Dep.	Business Loan			1000.00	1479.55
4/14	Dep.	Client payments (4/10-4/14)			312.50	1792.05
4/15	1167	Toys R Us Kiddie tables & chairs		215.00		1577.05
4/15	1168	Kidtown USA Outdoor equipment		814.49		762.56
4/18	1169	Office Depot Calculator & Off. Supplies		35.10		727.46

<sup>\*</sup> The ✓ column is for checking entries when they appear on the bank statement.

# **Bookkeeping Journal**

### **Supplies**

- 1. A three-ring binder, (the standard size used in school)
- 2. Ledger or college-ruled notebook paper (8  $\frac{1}{2}$  x 11). Ledger paper has columns and may be purchased in office supply stores. The examples below will show the number of columns needed in each type of account.
- **3.** Index dividers for the accounts.

You will normally receive your income in cash or by check and make purchases by cash, check, or credit card. While some items may be identified in lump-sum fashion in your checkbook (e.g., "client payments," "food and supplies," "ABC Visa Card, etc.," they must be itemized in the appropriate accounts in your Bookkeeping Journal. **Example:** 

INCOME ACCOUNTS

Client Payments

Drop-in Payments

Other Income

EXPENSE ACCOUNTS

Capital Expenses

Operating Expenses

Other Expenses

## **Income Accounts**

Your income may come from a variety of sources: client payments, grants, gifts or bonuses, food subsidy reimbursements, owner's investments (e.g., personal money that you put into the business), and bank interest. Use separate pages for the major types of income.

#### **Instructions**

- 1. Client Payments. Create a separate page (account) for each child. If you have six children in your program this means six accounts.
- **2. Drop-ins.** If you offer drop-in care for children who may come just once or occasionally, create a Drop-In page to list them as they occur.
- **3. Other Cash Inflows.** This catch-all category will include all other sources of money coming into the business, such as loans or grants, food subsidies, gifts or bonuses, bank interest, and so on. Separating taxable from non-taxable income, as shown on the following pages, will help you at tax time. The tax categories will be explained later in this chapter.

Clarit	Clarita's Kids							
	Rose Marie Mauro (Name of child)							
Date Paid	Payer	Amount	Check/ Receipt #	Period Covered	Balance Owing	Notes		
4/3	Ann Mauro	162.50	1233	4/3-4/7	0.00			
4/10	Ann Mauro	162.50	1240	4/10-4/14	0.00			

Clarit	Clarita's Kids						
	Stephanie Chow (Name of child)						
Date Paid	Paye	er	Amount	Check or Receipt #	Period Covered	Balance Owing	Notes
4/4	John Chow		150.00	Cash Rec. #139	4/3/4-7	0.00	1 day late
4/10	John Chow		150.00	2030	4/10-1/14	0.00	
						1	

Clarit	Clarita's Kids						
	<u>Drop-ins</u>						
Date Paid	Payer	Amount	Check or Receipt #	Period Covered	Balance Owing	Notes	

Clarit	Clarita's Kids							
	Other Cash Inflows							
Date Paid	Payer	Taxable Amount	Non-tax. Amount	Check or ID #	Notes			
4/13	Washington CASH – Loan proceeds		1000.00	205	Loan for outdoor equipment and kiddie table and chairs.			

<sup>\*</sup> Taxable Amounts: gifts of money, bonuses, bank interest, food subsidies, taxable grants.

\* Non-taxable Amounts: loan proceeds, owner's investments, non-taxable grants (ask the grantmaking agency if you are not sure.)

# **Bookkeeping Journal (continued)**

## **Expense Accounts**

Our simplified Bookkeeping System uses separate pages (accounts or ledgers) for *Start-up/Capital Expenses*, *Operating Expenses* (which include food expenses and other overhead), and *Non-deductible Expenses*. These three categories of business expenses are treated differently on your federal tax return. Keep them separate in your Bookkeeping Journal.

#### **Instructions**

- 1. Start-up/Capital Expenses. Create columns as shown on the next page. Note: Start-up expenses are incurred before your business opens, and capital expenses are items costing over \$100.00 and lasting more than one year.
- 2. Operating Expenses. All of your major expense accounts should appear on this page. Create categories to meet the individual requirements of your business, or use the ones provided on Schedule C. Draw and label your columns across the back and front of two pages, as shown on the following pages. This enables you to turn to Operating Expenses and see all the accounts spread across two pages, like one continuous spreadsheet or ledger.

**Note:** Operating expenses are those incurred after your business opens, except for capital and house expenses.

The Calendar-Keeper<sup>TM</sup> from the Redleaf National Institute provides a similar record keeping system, in addition to business management software for child care professionals and other related publications. Call (800) 423-8309 for information or to order, or visit their website at www.redleafinstitute.org. See **Book Keeping Software** sheet for more options.

**3. Non-deductible Expenses**. These expenses will not be reported on your tax return. Owner's Draw and the principle portion of your loan payments are not deductible at all. **Note:** If you are unsure about whether an expense is tax deductible or not, write a note or question mark next to the entry so that you will remember to ask your tax preparer or the IRS when you are doing your taxes.

Clarita's Kids Start-up & Capital Expenses									
Date	Description	Start-Up	Capital	Notes					
4/15	Kiddie table and chairs from Toys R Us		215.00						

Clarita's Kids Operating Expenses							
Date	Description	Advertising & Marketing	Auto Expenses	Food	Interest on Loans	Legal/Prof. Services	
4/10	Groceries from Costco		•	84.25			
4/10	Kitchen and cleaning supplies from Costco						

#### **Instructions:**

**Auto Expenses.** While actual expenses can be listed here, most providers use the cents-per-mile method. Use the Calendar to keep track of miles; enter the weekly or monthly expense here.

**Food** will probably be your largest on-going expense. When you shop, separate out non-food items, such as napkins and cleaning supplies, and post them to the appropriate account.

**Interest on Loans.** The lender provides you with information that enables you to identify the interest amount.

**Legal & Professional Services.** Fees for the business part of your tax preparation go here, but fees for doing the personal part of your tax return go on Schedule A. Therefore, enter here only the business portion of your tax preparation expenses. The tax preparer will help you estimate the amount.

Clarita's Kids  Operating Expenses									
Liability Insurance	Licenses	Office Expenses	Repairs & Maintenance	Supplies	Training & Publications	Other			
				18.20					

#### **Instructions:**

**Liability Insurance.** This insurance applies to your business only. List medical insurance for the children with "Other Expenses."

**Office Expenses.** Include bank charges, books, magazines, education and training (e.g., a class on bookkeeping), postage, desk supplies, receipt books, pens, computer paper, etc.

**Repairs & Maintenance.** This applies only to toys, appliances and other personal property used strictly for business.

**Supplies.** Include all children's supplies (craft items, toys, etc.) and kitchen supplies (paper towels, utensils, garbage bags, cleaning supplies, etc.)

**Other.** Enter operating expenses that do not fit into your other categories - e.g., medical insurance, special activities such as birthday parties, gifts to children, etc.

Clarita's Kids Non-deductible Expenses								
Date	Description	Loan Principle	Owner's Draw	Other				
4/11	Owner's draw for group savings contribution to Washington CASH		50.00					

#### **Instructions:**

**Owner's Draw.** Enter all the amounts you withdraw from the business account to pay yourself. (A regularly scheduled owner's draw is a professional way to pay yourself.)

**Loan Principle.** The lender provides you with information that enables you to identify the principle amount.

## Calendar

Some expenses must be recorded as they occur or they are likely to be forgotten. These include:

Use of your home outside of regular business hours. You are allowed a tax deduction for use of your home. For regular house expenses, such as rent, mortgage interest, or utilities, it is easy to tally up the total house expense at the end of the year and calculate the percentage that was used for business. The percentage is based on the hours that you use the house for business, so an accurate record is important. When business use occurs outside of normal business hours, you need a systematic way to keep track of it. Keep a careful record on the calendar. Note the purpose and length of time of each use, as shown in the example below. Remember that business that takes place out of the home like shopping or any time away from home can't count. Shopping, classes, etc.

**Mileage.** You are allowed a tax deduction for business related car expenses. Record each trip and number of miles on the calendar. If the trip was part personal and part business, adjust the miles accordingly.

Clarita's Ki	ds									
	January 2002									
Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday 1				
2 Costco 12 mi	3 Interview with Mr/Mrs Mauro 7:30-9pm 1 ½ hrs	4	5	6	7 Kinkos 8 miles	8				
9	10	11 Used computer to make flyers. 7-9pm 2 hrs.	12	13	14	15 Tax work- shop 20 mi				

## Exercise

Record or "post" the following transactions to Clarita's Checkbook Register and Bookkeeping Journal.

- Post all of the transactions in the checkbook register to the appropriate accounts.
- 2. On April 21, Clarita deposited her client payments from Ann Mauro and John Chow, a total of \$312.50.
- 3. On April 22, Clarita went grocery shopping at Red Apple and spent \$130.00 on food for the business.
- 4. On April 24, Clarita went to PartyTime to buy supplies for a birthday party, spending \$18.50.
- 5. On April 27, Clarita paid her credit card monthly installment.
- 6. On April 28, Clarita paid herself \$1000.00.

# **Bookkeeping Procedures**

#### A. Daily Procedures

- **1.** Calendar. Write tax-deductible events (mileage, extra business use of your home) on the day they occur.
- **2.** Checkbook Register. Record every transaction you make *before* you write the check or make the deposit.
- **3. Holding File: Income.** Write a receipt for every client payment received. Place the receipts as well as any checks or cash you receive in a holding file.
- **4. Holding File: Expense Receipts**. Check immediately to see if the receipt shows the store name, purchase date, a description of each item, amount of each item, and method of payment (check, cash, credit card). Write in any information that is missing, and file the receipt in your holding file for posting.

### **B.** Weekly Procedures

- **1. Posting.** Post all items in the holding files to your Bookkeeping Journal. Also, check your checkbook register for items that haven't yet been posted.
- **2. Filing.** After posting, file client payment receipts in the client files. File expense receipts in the appropriate expense files, and file any other business documents that have not yet been filed.
- **3. Deposit Slip.** Prepare a deposit slip and record the deposit in your checkbook register.
- **4. Deposits.** Deposit income within five business days from the time you receive it.

## **C.** Monthly Procedures

- 1. Reconcile your Checkbook Register with the bank statement. Banks provide instructions on the back of the statement or in a brochure. Make any necessary corrections to the Bookkeeping Journal.
- **2. Monthly totals.** Total all income and expense accounts in your Bookkeeping Journal for the previous month.
- **3. Balance the books.** See the box on the next page for instructions.
- **4. P&L Statement.** Enter the monthly account totals and complete the statement for that month. Compare your actual results to your projection.
- **5.** Cash Flow Statement. Complete this statement and compare the amounts to your Cash Flow Projection for that month.

## How to Balance the Books

Balancing the books is a technique for finding errors in posting or math.

- → Step 1. In the Bookkeeping Journal: Total each income account for the one-month period, then add the totals together. Do the same for the expense accounts.
- → Step 2. In the Checkbook Register: Total the deposits for the one-month period. Then total the withdrawals.
- → Step 3. Balance the Books: The income total from Step 1 should match the deposits total from Step 1; the expenses total should match the withdrawals total. It the totals do not match, look for the following errors:
  - ◆ Expenses charged on credit cards not yet paid.
  - Errors in math in Steps 1 and 2.
  - ◆ Posting errors, such as an incorrect amount, an omission, or a duplicate entry.

# **Financial Statements**

**Financial statements** display and summarize transactions in your Bookkeeping Journal. In chapter five you used financial statements to *project* estimated financial transactions. The following statements are used to **monitor** performance: a **Balance Sheet**, and a **Profit & Loss (P&L) or Income Statement**, and a **Cash Flow Statement**.

## **Balance Sheet**

It is beneficial to make a *Balance Sheet*, also called a *Net Worth Statement*, on a quarterly basis (every three months) to keep close tabs on your business. Not only is the Balance Sheet used for business management, it is also required by lenders if you apply for a loan.

Like a Net Worth Statement in personal finance, the **Balance Sheet** shows the status of your business **on a given date**. It has three parts: *assets*, *liabilities*, and *owner's equity* – the net worth of the business. **Owner's equity** should be of great interest to you. The value of your ownership is a part of your personal net worth.

The dollar amounts on the Balance Sheet reflect current values - e.g., the balance in cash accounts, the refund value of inventory, and the resale value of equipment.

Balance Sheets end with a "balancing act": **Assets = Liabilities + Owner's Equity.** If the two sides of the equation do not match, there has been an error in math or an incorrect or omitted entry.



# Clarita's Kids Balance Sheet – March 31, 2002

### **ASSETS**

Cash	\$ 319
Supplies	175
Equipment	600
<b>Business Furniture</b>	300
Other	0-
TOTAL ASSETS	\$1,394

### **LIABILITIES**

OtherTOTAL LIABILITIES	\$ 369
Other	0-
Credit Cards	369
Loans	\$ -0-

## OWNER'S EQUITY \$1,025

(Assets – Liabilities)

**BALANCE** \$1,394

(Assets = Liabilities + Owner's Equity)

# Instructions for Worksheet #21

If you have any business assets or liabilities, prepare a balance sheet.

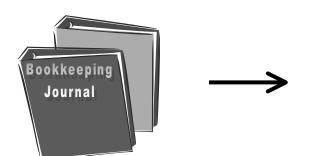
## **WORKSHEET #21**

<u>ASSETS</u>	
Cash	\$
<b>Business Property</b>	
Accounts Receivable	
Supplies	
Equipment	
Furniture	
Other	
TOTAL ASSETS	<b>\$</b>
<u>LIABILITIES</u>	
Loans	\$
Accounts Payable	
Other	
TOTAL LIABILITIES	\$
OWNER'S EQUITY	\$
(Assets – Liabilities)	

## P&L and Cash Flow Statements

The **P&L** Statement and Cash Flow Statement look like the projections that you worked with in Chapter Five, except that the figures represent **results for a certain period of time** rather than estimates. The figures and categories that go into these statements come from your Bookkeeping Journal.

At the end of each month, add up all of your income and all of your expenses, and transfer the results to your P&L Statement. Compare what actually occurred with your projections and find the reasons for any discrepancies. Use your actual results to revise your projections, if necessary.



	Profit and Loss Statement						
		Jan	Feb	Mar	Ap		Tot
1							
2							
3							
4							
5							
6							

# Instructions for Worksheets #22 and #23

If your business is already operating, do a current P&L and Cash Flow for the last several months. Make copies of and use the blank worksheet forms provided in this chapter.

WORKSHEET #22													
	Р	rofit	& Lo	ss St	tatem	ent -	- Yea	ar:					
Month →	1	2	3	4	5	6	7	8	9	10	11	12	Yearly Totals
1. Total Income Sales + other income													Totals
2a. Unit 1 Food x													
# of days													
Subtotal													
2b. Unit 2 Food x													
# of days													
Subtotal													
2c. Unit 3 Food x													
# of days													
Subtotal													
2d. Unit 4 Food x													
# of days													
Subtotal													
3. Total Food Cost													
4. Profit after Food Line 1 – Line 3													
5. Overhead													
6. Start-up													
7. NET PROFIT OR													
(LOSS) (before taxes) Line 4 – Lines 5 & 6													
8. Estimated Taxes													
9. NET PROFIT OR (LOSS) (after taxes) Line 7 - Line 8													

WORKSHEET #23													
		Cas	h Flo	w Sta	atem	ent –	Year	<b>~:</b>		_			
Month →	1	2	3	4	5	6	7	8	9	10	11	12	Totals
1. Beginning Cash													
2. Loan													
3. Owner's Investment													
4. Other													
5. Cash Available Add Lines 1 - 4													
6. Net Profit or (Loss) from P&L projection													
7. Subtotal Line 5 + Line 6													
8. Loan Payments													
9. Subtotal Line 7 - Line 8													
10. Owner's Draw													
11. ENDING CASH Line 9 - Line 10													

## Transfer ENDING CASH to next month's BEGINNING CASH

# **Your Filing System**

If the IRS audits you, how will you prove that expenses you deducted are real and that you did not use some of them for the family? How will you find the receipt to return that faulty toy you purchased? A good filing system gives you easy access to all of your business documents.

Your filing system may be as simple as a box of index folders (or accordion files) sitting on your desk, or as complex as a three-drawer filing cabinet with hanging folders for major divisions and many index folders within them. It all depends on how many documented transactions you have. You may find a way to have filing supplies and cabinets donated to you, or purchase them at an office supply store.

Most child care businesses need three categories of file, as shown below.

Examples of Files							
General Files							
□ Bank Statements □ Bookkeeping Journals (for previous years) □ Canceled Checks □ Clients □ Correspondence □ Monthly Fire Drill / Smoke Detector Checks □ Training Records  Holding Files □ Current expenses (for posting) □ Income (for posting)	<ul> <li>☐ Insurance Policies</li> <li>☐ Licenses/Permits</li> <li>☐ Tax Records (four years)</li> <li>☐ Previous Years' Receipts</li> <li>☐ Credit Card Statements</li> <li>☐ Food Program Documentation</li> <li>☐ Daily Attendance Records</li> <li>☐ Child Files</li> </ul>						
Current Year Receipts							
<ul> <li>□ Food: Business (receipts that have been posted)</li> <li>□ Food &amp; Restaurant: Family</li> <li>□ Other Operating Expenses (receipts that have been posted)</li> <li>□ Start-Up &amp; Capital Expenses (receipts that have been posted)</li> </ul>							

# **Your Child Files**

Keeping a file for EACH child is a licensing requirement. Each child file must contain at least these three forms:

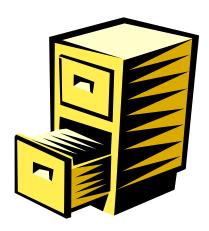
- 1. The Child Care Home Register DSHS 10-097 (X), which contains the basic information necessary to care for a child including emergency contact phone numbers, health history, and information regarding who is allowed to pick up the child from your child care.
- 2. The Certificate of Immunization Status DOH 348-013 (X) form is to ensure that all of your children have the necessary vaccinations. Be sure to ask for parent's help to keep this form updated throughout the year.
- 3. The **Permission Authorization DSHS 15-234 (X)** gives you the necessary parental permission to take the children on fieldtrips outside of your home or obtain medical care for a child in an emergency.

Now that you have a file for each child, you may want to keep other items in this file as well. As you learn more about each child's needs, you may want to keep information regarding illnesses, injuries, medications, and allergies in the child files. Some providers even keep a picture of each child in their child files.

You can keep your child files organized and accessible by using a variety of methods. You could keep a three ring binder notebook with divisions for each child, manila file folders for each child, or even large envelopes. The method you choose will depend on the filing system you set up for your other general files and financial records.

# **Tips Not To Ignore**

- 1. Set up your record keeping system *before* you begin doing business.
- **2. File receipts** for *everything* you purchase. If you go to a yard sale, carry a receipt book with you and have someone sign for your purchase. If you forget the receipt book, use a scrap of paper or write one up when you get home. *Any receipt is better than nothing*.
- **3. Pay expenses by check** (rather than by cash or credit card) as much as possible. This will simplify your bookkeeping.
- **4. NEVER** mix personal money with business money. This means:
  - ◆ Maintain a separate bank account for business. If you regularly buy on credit, get a separate credit card for business.
  - ◆ If you pay a bill from personal money (e.g., car expenses), reimburse yourself by writing a check to yourself from the business account.
  - ◆ If you take cash out of the business for personal use, write a check to yourself and record it as an owner's draw.



# 2. Federal Income Taxes

Get ready for some bad news: for every taxable dollar on your 1040 return, you will have to pay at least 15% in **income tax**, and, if your net business income is over \$400, you will also have to pay 15.3% of your business profit for the **self employment tax**. (Social Security and Medicare contributions) Clarita estimated her 2000 federal taxes as follows:

#### **Schedule C**

Line 7 Gross income	\$ 31,700	
Line 28 Total expenses	(10,770)	
(Business and business use of home expenses)		
Line 31 Net Profit (Loss)	\$ 20,930	

#### Form 1040

Line 37	Taxable income	\$ 9	,280
Line 36	Exclusion for 2 dependents	( 5	<u>5,400)</u>
Line 34	Standard deduction	( 6	5,250)
Line 31	Adjusted gross income	\$ 2	0,930
Line 12	Business income (loss)		0,930
Line 7	Salary from regular job	\$	0

Line 64	Total Federal Tax	\$ 4,533
Line 45	Self Employment tax (	15.3%) 3,141
Line 38	Income tax.	\$ 1,392

The good news is that by claiming business expense deductions, you can substantially lower your taxable income.

# **Tax Deductible Business Expenses**

All expenses that are "ordinary and necessary" for starting and running your business are tax deductible. Deductions for child care providers fall into three categories:

**Start-Up/Capital Expenses.** Start-up expenses are incurred before your business opens (e.g., advertising, office supplies, toys, etc.). Capital expenditures include items costing over \$100 and lasting more than one year (e.g., home improvements, fencing, shelving). The IRS requires that start-up deductions be spread over five years and capital expenses be spread out over a number of years specified in an IRS schedule.

**Operating Expenses.** These include all expenses *incurred after your business opens*, except for capital and housing expenses. **Examples:** advertising, professional fees (attorney, tax preparer, contracted assistant) food, supplies, toys, birthday parties, gifts for children, insurance, employee wages and benefits, repairs and maintenance, rental expenses (videos, carpet shampoo equipment, etc.), a separate telephone line, rent for business space outside your home, travel for a business meeting/training, car expenses and so on. (Car expenses can be recorded as the miles you travel or as actual car expenses.)

**Housing Expenses.** A time-space percentage is used to calculate the business portion of house expenses. Deductible house expenses include mortgage interest, property taxes, house insurance, house rent, repairs and maintenance, and utilities.

## Calculating your Time-Space percentage:

# hours your home

is used for business x used regularly for business = Time-Space

Total # hours Total # square feet Percentage
in a year in your home

## **Should You Hire a Tax Preparer?**

Before you decide, attend a tax workshop for child care providers and consult with a professional tax preparer who specializes in the field. Remember that tax deductions increase your profits. Also, consider whether you have the time, experience, and temperament to meticulously prepare tax returns. To find a tax preparer, get recommendations from other providers or child care organizations.

# 3. Washington State Taxes

As a child care provider in Washington State, you are eligible for many exemptions and deductions. You will need to turn in a Combined Excise Tax Return on a monthly, quarterly, or annual basis depending on how large your business is. The following taxes could be included in the Combined Excise Tax Return. You will need to determine which ones apply to your business.

**Business and Occupation Tax (B&O)**: This tax is calculated on a business's gross receipts. If the amount of tax due is below a certain amount, you may qualify for a small business B&O tax credit that will reduce or eliminate the tax you owe. This may all sound very complicated to calculate, but you will receive a Small Business B&O Tax Credit Table with your Combined Excise Tax Return. Your child care business may qualify for deductions or exemptions from the B&O tax if you care for children under eight years old who are not enrolled in first grade or above, if your child care is in a church, or if you receive funding from the Federal or State government.

**Retail Sales and Use Tax**: You do not have to add sales tax onto your fees. You do have to pay sales tax on items you buy for the child care. For example, you need to pay sales tax on furniture, diapers, toys, and prepared food. The only item you do not need to pay sales tax on is unprepared food. Use tax is only required if you bought something without paying the sales tax on it. That unpaid sales tax is the amount you need to pay for use tax.

**Property Tax**: Property taxes are administered by the county and include both real property and personal property. You have **Real property** if you own or are purchasing your child care facility. **Personal property** includes things like business equipment, desks, chairs, toys, books, appliances, and supplies. Before April 30 every year, you must submit a list to the county of the personal property you use for your business. The county will then determine the value of your real and personal property and mail you a "Change of Value Notice." Half of your taxes will be due by April 30 and the second half by October 31. Contact your county's treasurer's office if you have questions.

# Assignment

1.	Learn these terms:	
	<ul> <li>□ Bookkeeping Journal</li> <li>□ Self Employment Tax</li> <li>□ Reconciliation</li> <li>□ Profit &amp; Loss Statement</li> <li>□ Real Property</li> </ul>	<ul> <li>□ Schedule C</li> <li>□ Income and Expense Accounts</li> <li>□ Balance Sheet</li> <li>□ Cash Flow Statement</li> <li>□ Personal Property</li> </ul>
2.	Set up your:	
	Bookkeeping Journal Filing System	
3.	Complete:	
	Worksheet #21. Balance Sheet Worksheet #22. P&L Statement Worksheet #23. Cash Flow Staten	nent
4.	Call your State Department of R your business:	evenue to determine what taxes will apply to
	<ul> <li>□ Sales tax</li> <li>□ Income tax (may not be requ</li> <li>□ Employee-related taxes</li> <li>□ Other</li> </ul>	uired if there's a sales tax)

# Part III. Start-Up Plans

# Chapter 9 Writing the Business Plan

WHERE ARE WE NOW?	176
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PART III: START-LIP PLANS	

# Where Are We Now?

# A TERRIFIC BUSINESS PLAN!

# III. Start-up Plans

✓ Marketing Plan

☑ Operating Plan

# II. The Feasibility Study

☑ Cash Flow Projection

☑ Feasibility Decision

☑ Sales Forecast

☑ P&L Projection

☑ Market Research

☑ Cost Analysis

# I. The Foundation

☑ Business Idea

☑ Self Assessment

☑ Net Worth Statement

**☑** Budget

# 1. Writing the Business Plan Why Do It?

You've planned and planned, calculated and calculated, and maybe sweated and strained to get this far along in this book. Isn't that enough? No! You have yet to take the final step – put it in writing! A written business plan is too important a step to leave out. Here are two reasons why:

# Reason #1: To gain supporters

Whose support do you need?

First of all, you may need a **lender**. Non-profit and commercial lenders alike require a written business plan. The better the plan in its organization, thoroughness, and neatness, the better it speaks for you and your business. The business plan will be the focus of their evaluation, and it needs to convince them that you have a well planned, viable business.

Second, you should have a **business support group** – a group of likeminded entrepreneurs who assist and support each other. The written plan gives them detailed knowledge of your goals and your marketing and operational plans.

Similarly, you may wish to share your business plan with other entrepreneurs, friends, and family members. The written plan will explains your business in a more detailed, focused, and organized manner than can usually be done verbally.

# Reason #2: To guide your business

The written business plan serves as a reference and checkpoint for every step of development. As a living document it should be revised annually. A current business plan helps you make good decisions and keeps you inspired and focused.

# **Guidelines**

**Format:** Single-spaced. If typing is not possible, print neatly in ink.

**Length:** A minimum of two to five typed pages plus cover page and

attachments (financial projections).

Cover page: Include:

◆ Title: "Business Plan"

♦ Business name

◆ Date

◆ Your name, address, phone number

◆ Table of Contents (If this makes the page too crowded, put it on a separate page.)

Attachments: Sales Forecast, P&L Projection, Cash Flow Projection, and

current financial statements if your business is already operating. Include other attachments as applicable.

**Content:** Use the outline below.

# **Outline**

- **1. Business Idea.** Refer to Worksheet #6. Length: from one paragraph to one page.
- **2. Your Qualifications.** Refer to Self Assessment (Worksheet #8) Write your experience and strengths in one brief paragraph.
- **3. Feasibility Analysis.** Refer to your Feasibility Analysis (Worksheet #17). Write at least 1½ pages.
  - a. Market Research. Include competition & market trends.
  - **b.** Summary of Financial Projections. Include break-even expectation.
  - c. Summary of Current Financial Statements. (if applicable)
  - d. Start-Up Money. Include amount and sources.
- **4. Marketing Plan.** Refer to Worksheet #18.

- **5. Operating Plan.** Refer to Worksheet #19. Include your start-up date.
- **6. Record Keeping Plan and Banking.** Describe your filing and bookkeeping systems. Give the location of your business bank account. State if you plan to hire a bookkeeper.

# Instructions for Writing Your Business Plan

Review Clarita's business plan on the following pages, then:

- 1. Assemble your worksheets from Chapters 2 through 8.
- 2. Set aside approximately one hour to make a quick rough draft of your business plan according to the above Outline & Guidelines.
- 3. Let the rough draft sit overnight, and then set aside at least two hours to edit and polish a final draft. Have another person proofread your final draft.

# Sample Business Plan

Review the worksheet examples in each chapter and you will see where Clarita got the information to draft her business plan in just one hour. Polishing the final draft took longer.

# Business Plan for Clarita's Kids

**November 30, 2002** 

Owner: Clarita Williams 22240 South Jason Street Seattle, WA 98000 206-555-9213

Contents:PageBusiness Idea1Owner's Qualifications1Feasibility Analysis1Marketing Plan2Operating Plan2Record Keeping Plan & Banking3Attachments4-6

Business Plan for Clarita's Kids

Page 1

#### 1. Business Idea.

The mission of Clarita's Kids is to provide a loving and caring home environment for children in the Central area. We focus on safety and encouraging children to develop their imagination by using educational and craft supplies. We also encourage the children to get to know and respect each other's cultures and traditions.

The parents who will use my services are either low or middle income and are mostly African American or Hispanic. They work full-time and want their children to be in a loving yet educational environment when they are away from home.

Clarita's Kids will be a sole proprietorship.

My goals for the first year are: (1) to have five children as regular customers, (2) build a swing set in the back yard, and 3) pay myself \$1000 per month in wages. My two to five-year goals are: (1) to hire one employee, (2) add on an extra room (3) pay myself \$2000 per month, and 4) have a waiting list of parents who want my services.

#### 2. Owner's Qualifications.

I have always loved working with children. I taught Sunday School for eight years and was a Teacher's Aid at an elementary school for the past two years. I also have bookkeeping skills, and am very organized and persistent. I have a child of my own, and am in the process of becoming licensed by the state

### 3. Feasibility Analysis.

Market research: My market research indicates that the demand for quality in-home child care is increasing, and Child Care Resources tells me that child care services are needed in my part of town.

Business Plan for Clarita's Kids

Page 2

<u>Competition:</u> I have studied my competition. Most offer fairly standard services, and each has something special to offer, such as bilingual education or cooking classes. Most are making ends meet but would like to make more money. They have no problems filling their slots, and enjoy the business, although it is very demanding.

<u>Financial projections:</u> I have two toddlers and one infant signed up to start in January, and expect to add another infant and another toddler in July. This will bring in \$29,700 in fee income the first year. This figure will be higher the second year as I will have the maximum number of children allowed for the entire year. I will be able to take a regular owner's draw of \$2000 by the end of the first year, and afford to take out a loan to pay for some outdoor equipment and other supplies. I also plan to apply to a food subsidy program, which will bring in more income. (See attachments for details.)

### 4. Marketing Plan.

My promotional methods will include business cards, flyers, a sign in my yard, and selectively placed newspaper ads. I will also be in the referral database of Child Care Resources. My materials will stress that I offer a loving and educational home environment, and I will use the tag line "Learn, explore, and make friends." Also, I will keep my Parent Handbook organized and up to date, as this is an important selling point for new clients.

# 5. Operating Plan.

<u>Business location:</u> My business will be in my home, and I will have a separate space for an office where I will keep my computer and files.

<u>Permits and licenses:</u> I have already obtained a business license from the state and the city, and am in the process of becoming a licensed for child care by the state Department of Social and Health Services.

Business Plan for Clarita's Kids

Page 3

Other operating requirements: I need to buy a few more supplies and my business cards, finalize my daily schedule, and get my Parent Handbook professionally printed.

See attached Parent Handbook for other operating plan details.

Start-up date: January 1, 2002

### 6. Record Keeping Plan and Banking.

I have set up a file drawer for my business. It contains my business license and folders for general files, holding files, and income and expense files. I have also set up my bookkeeping system. I purchased a "Calendar Keeper" to use as my ledger and calendar. I plan to have a bookkeeper do my taxes, and also plan to take a class in Quickbooks so that I can keep my books on the computer in the future. My business account is at People's Savings Bank.

Attachment A. Sales Forecast

Attachment B. P&L Projection

Attachment C. Cash Flow Projection

Attachment D. Parent Handbook

# 2. Personal Development

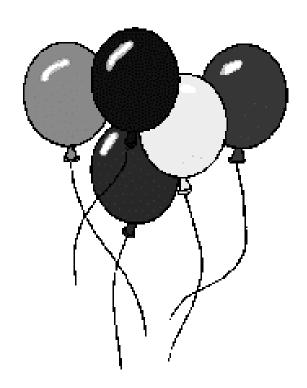
Every role we play in	life – be it mother, student,	employee, sister, or doctor				
– provides us with opposite –	portunities for personal gro	wth. What personal growth				
opportunities do you f	foresee in your role as entre	preneur? Some areas of				
opportunity might include:						
□ self esteem	□ presentation skills	☐ social skills				
□ new friends	□ organization	☐ communication skills				
☐ business skills	☐ relationship skills	□ education				

# **Brainstorm**

Take some time to think about the ways in which this experience has contributed to your personal growth.

# Assignment

- 1. Complete your written business plan.
- 2. Celebrate!



# Part III Cumulative Review

1.	Refer to your "Entrepreneurial Traits" (worksheet #7) and explain how your strengths can help you execute your Marketing Plan.
2.	When you compared financial institutions, what significant differences did you find?
3.	Described your planned or existing <b>bookkeeping system:</b>
4.	Describe your planned or existing <b>filing system:</b>
5.	Circle the number that represents how much of your Marketing, Operating, and Record Keeping Plans you have completed:
	0 1 2 3 4 5 7 8 9 10
6.	If you have not completed your Marketing, Operating, and Record Keeping Plans, what are your next steps? Include target dates.
	Next Steps Target Date
<b>*</b>	
<b>*</b>	
•	

# Final Checklist

# **Part I: The Foundation**

	Vocabulary:				
	assets entrepreneur wholesaler partnership necessary vs. discret	liabilities consumer retailers corporation ionary expenses	reserve fund customer sole proprietorship negotiate		
	Dreams and Person	al Goals (worksheet	#1)		
	Financial Goals (wo	orksheet #2)			
	Net Worth Stateme	nt (worksheet #3)			
	Personal Journal (d	aily record of expens	ses)		
	<b>Income &amp; Expense</b>	Statement (at least o	one month of data)		
	Budget (at least one	month of data)			
	<b>Business Outline</b> (w	orksheet #6)			
	Entrepreneurial Tr	aits (worksheet #7)			
	Self Assessment (worksheet #8)				
	Part II: T	he Feasibi	lity Study		
Ш	Vocabulary:				
	market research food plan overhead expenses net profit owners investment	emotional barrier sales unit start-up expenses break even	competition pricing sales forecast owners draw		

<b>Market Research</b> (w	OIKSHEEL #9)	
Sample Food Plan (v	worksheet #10a)	
Daily Food Cost per	Unit (worksheet #10b	)
Cost Analysis (works	sheet #12)	
Sale Projection (work	ksheet #13)	
P & L Projection (w	orksheet #14)	
Cash Flow Projectio	<b>n</b> (worksheet #15)	
Sources of Start-up	Money (worksheet #10	6)
Feasibility Analysis (	(worksheet #17)	
Part II	I: Start-Up ∣	Plans
Part II Vocabulary:	I: Start-Up ∣	Plans
	tagline self employment tax personal property	DBA Account reconciliation schedule C
Vocabulary: logo bookkeeping journal real property	tagline self employment tax personal property	DBA Account reconciliation
Vocabulary: logo bookkeeping journal real property balance sheet	tagline self employment tax personal property rksheet #18)	DBA Account reconciliation
Vocabulary: logo bookkeeping journal real property balance sheet  Marketing Plan (wor	tagline self employment tax personal property rksheet #18)	DBA Account reconciliation
Vocabulary: logo bookkeeping journal real property balance sheet  Marketing Plan (wor	tagline self employment tax personal property  rksheet #18) rksheet #19) worksheet #20)	DBA Account reconciliation

# **Business License Resource Sheet**

Go to any of these offices to obtain or file a Master Business License Application:

# **Department of Licensing Master License Service**

405 Black Lake Boulevard PO Box 9034 Olympia, WA 98507-9034 Tel: (360) 664-1400 Fax: (360) 753-9668

Monday through Friday (PST)

8 a.m. to 5 p.m.

www.wa.gov/dol/bpd/buslic.htm

#### Aberdeen

# **Department of Labor and Industries**

415 W. Wishkah, Suite 1-B Tel: (360) 533-8200

### **Department of Revenue**

110 West Market Tel: (360) 533-9312 Closed Tues & Thurs, and from 11:30am to 12:30 p.m.

#### Bellevue

# **Department of Labor & Industries**

616 120<sup>th</sup> Avenue NE #C-201

Tel: (425) 990-1400

*Note: Master Business License Applications* accepted only between 9 a.m. and 12 p.m. at this location.

# **Employment Security Department**

1530 140<sup>th</sup> Ave NE, Suite 100 Tel: (425) 649-4388

#### Bellingham

# **Department of Labor and Industries**

1720 Ellis Street, Suite 200 Tel: (360) 647-7300

### **Department of Revenue**

1904 Humbolt St. Suite A Tel: (360) 676-2114 Closed 11:30 am to 12:30 pm

# **Employment Security Department**

220 Grand Street Tel: (360) 676-2070

#### Bremerton

### **Department of Labor and Industries**

500 Pacific Avenue, Suite 400

Tel: (360) 415-4000

### **Department of Revenue**

4841 Auto Center Way, Suite 201 Tel: (360) 478-4961 Closed 11:30 am to 12:30 pm

#### Colville

# **Department of Labor and Industries**

298 S. Maine, Suite 203 Toll free: 1-800-509-9174

#### Everett

# **Department of Labor and Industries**

729 100<sup>th</sup> St. SE Tel: (425) 290-1300

# **Department of Revenue**

11627 Airport Rd, #B Tel: (425) 356-2911

# **Employment Security Department**

840 N Broadway Bldg B, Suite 410 Tel: (425) 339-5030

#### Kennewick

# **Department of Labor and Industries**

500 N. Morain, Suite 1110 Tel: (509) 735-0100

### **Department of Revenue**

22 W. Kennewick Avenue Tel: (509) 585-1501

### **Employment Security Department**

6515 W. Clearwater, Suite 238 Tel: (509) 734-7001

#### Longview

# **Department of Labor and Industries**

900 Ocean Beach Highway Tel: (360) 575-6910

#### Moses Lake

# **Department of Labor and Industries**

3001 W Broadway Tel: (509) 754-6900

#### Mount Vernon

### **Department of Labor and Industries**

525 E College Way, Suite H Tel: (360) 416-3000

#### Olympia/Tumwater

# **Department of Labor and Industries**

7273 Linderson Way SW Tel: (360) 902-5799

# **Department of Licensing**

405 Black Lake Blvd, Bldg 2 Tel: (360) 664-1400

# **Department of Revenue**

2735 Harrison Avenue (Target Place) or General Administration Building 11<sup>th</sup> & Columbia, Room 405 Tel: (360) 786-6100 Toll free: 800-647-7706

# **Employment Security Department**

3738 Pacific Avenue SE Tel: (360) 407-5145

# **Secretary of State (Corporations Div.)**

801 Capital Way S Tel: (360) 753-7115

#### Okanogan

# **Department of Labor & Industries**

1234 Second Avenue S Tel: (509) 826-7345

#### Port Angeles

# **Department of Labor and Industries**

1605 E Front St, Suite C Tel: (360) 417-2700

### **Department of Revenue**

734 First St, Suite B Tel: (360) 457-2564 Closed Tues, Thurs, & 11:30-12:30

#### Pullman

#### **Department of Labor and Industries**

1250 Bishop Blvd SE, Suite G Toll free: 800-509-0025

#### Renton/Tukwila

# **Department of Labor and Industries**

12806 Gateway Dr (Tukwila) Tel: (206) 248-8240

# **Department of Revenue**

919 SW Grady Way #150 (Renton) Toll free: 800-647-7706

#### Seattle

# **Department of Labor and Industries**

300 West Harrison Street Tel: (206) 281-5400

# **Department of Revenue**

2101 4<sup>th</sup> Avenue, Suite 1400 Tel: (206) 956-3002

# **Employment Security Department**

8746 Mary Avenue NW Tel: (206) 706-3801 or 200 SW Michigan, Suite 202 Tel: (206) 766-6300

#### Spokane

# **Department of Labor and Industries**

901 N Monroe #100 Tel: (509) 324-2600

### **Department of Revenue**

4407 N Division, Suite 300 Tel: (509) 482-3800

### **Employment Security Department**

132 S Arthur St, Second Floor, Room E Tel: (509) 532-3090

#### Tacoma

# **Department of Labor and Industries**

9050 Broadway, Suite 200 Tel: (253) 596-3800

### **Department of Revenue**

3315 S 23<sup>rd</sup> St, Suite 300 Tel: (253) 593-2722

### **Employment Security Department**

1305 Tacoma Avenue S #304 Tel: (253) 593-7380

#### Vancouver

# **Department of Labor and Industries**

312 SE Stonemill Dr, Suite 120 Tel: (360) 896-2300

# **Department of Revenue**

8008 NE Fourth Plain, Suite 320 Tel: (360) 260-6176

# **Employment Security Department**

5411 East Mill Plain Blvd Bldg #3, Suite C Tel: (360) 735-5050

#### Walla Walla

# **Department of Labor and Industries**

1815 Portland Avenue, Suite 2 Tel: (509) 527-4437 Closed noon to 1pm.

#### East Wenatchee

# **Department of Labor and Industries**

519 Grant Rd East Wenatchee, WA 98801 Tel: (509) 886-6500

# **Department of Revenue**

Six Thirty Place, Suite B-3 630 N Chelan Avenue Tel: (509) 663-9714 Closed 11:30-12:30

# **Employment Security Department**

215 Bridge Street Tel: (509) 662-0448

#### Yakima

### **Department of Labor and Industries**

15 W Yakima Ave, Suite 100 Tel: (509) 454-3700

# **Department of Revenue**

1714 South 16<sup>th</sup> Avenue Tel: (509) 575-2783

# **Employment Security Department**

306 Division Street Tel: (509) 574-0137

# **Business E-Government Information Network**

www.beginwa.org

A comprehensive set of local government information and online services to businesses operating in the state of Washington. Find out what your city requires to obtain a business license.

# Office of Trade & Economic Development Business Technical

#### **Assistance**

128 10th Avenue SW P.O. Box 42525 Olympia, WA 98504-2525 (800) 237-1233 (in WA) Tel: (360) 725-4067

Fax: (360) 725-4067 Fax: (360) 586-0873 TDD: (360) 753-7427

and

Westin Office Building 2001 6th Avenue, Suite 2600

Seattle, WA 98121 Tel: (206) 956-3131 Fax: (206) 956-3160

www.edd.cted.wa.gov/bac/

# **Secretary of State**

Main Office-Legislative Building (Capitol)

In-Person: The Legislative Building

Tel: (360) 902-4151 8:00 am to 5:00 pm

E-mail: mail@secstate.wa.gov

Secretary Sam Reed: sreed@secstate.wa.gov www.secstate.wa.gov/corps/default.htm *How to obtain your state business license.* 

# Washington State Business Assistance Helpline

800-237-1233 w/in Washington State Tel: (360)-725-4065 Olympia/outside WA

TDD: (360)-753-7427 TDD

www.edd.cted.wa.gov/bac/bizinfo/default.htm Use this statewide toll-free telephone service to obtain information and referrals regarding starting or operating a business in the state of Washington.

# **Child Care License Resource List**

# **Division of Child Care and Early** Learning

www.wa.gov/dshs/occp/newdivision.html Providers can obtain information regarding the licensing process and orientation dates by calling the Division of Child Care and Early Learning office at the DSHS in their region:

#### Region 1:

(Counties served: Adams, Chelan, Douglas, Ferry, Grant, Lincoln, Okanogan, Pend Oreille,

Spokane, Stevens, Whitman) Spokane: (509) 363-3309 Toll free: 800-557-9671

Regional Manager: Lee Williams,

Tel: (509) 363-3308

#### Region 2:

(Counties served: Asotin, Benton, Columbia, Franklin, Garfield, Kittitas, Walla Walla,

Yakima)

Yakima: (509) 225-6272 Tri-Cities: (509) 737-2809 Sunnyside: (509) 836-5435

Regional Manager: Karri Livingston

Tel: (509) 225-6274

#### Region 3:

(Counties served: Island, San Juan, Skagit,

Snohomish, Whatcom) Everett: (425) 339-1928 Toll free: 800-320-4370 Mount Vernon, 360-416-7250

Toll free: 800-785-5582

Regional Manager: Larry Levine

Tel: (425) 339-4771

#### Region 4:

(Counties served: King) Seattle, Child Care Homes: Tel: (206) 721-6550

Toll free: 877-280-9292 Seattle, Child Care Centers:

(206) 721-6941

Toll free: 877-280-9292

Regional Manager: Judy Matthias,

Tel: (206) 721-6875 Kent, Child Care Homes: Tel: (253) 395-0836 Toll free: 800-422-7880 Kent, Child Care Centers:

(253) 872-2266

Toll free: 800-422-7880

Regional Manager: Patricia Eslava-Vessey

Tel: (253) 872-4033

#### Region 5:

(Counties served: Kitsap, Pierce) Tacoma, Day Care Centers:

Tel: (253) 983-6400 Toll free: 888-583-7254

Tacoma. Family Home Facilities:

Tel: (253) 983-6404

Bremerton: (360) 475-3599 Toll free: 800-423-6246

Regional Manager: Linda Kalinowski

Tel: (253) 983-6417

#### Region 6:

(Counties served: Clallam, Clark, Cowlitz, Grays Harbor, Jefferson, Klickitat, Lewis, Mason, Pacific,

Skamania, Thurston, Wahkiakum)

Olympia: (360) 236-7050 Toll free: 877-487-4866 Port Angeles: (360) 565-2243 Vancouver: (360) 993-7946

Regional Manager: Bronwyn Vincent

Tel: (360) 236-7045

# **Department of Social & Health Services** (DSHS)

1313 W Meeker St #102

Kent WA 98032

Tel: (253) 395-0836 (Homes) Tel: (253) 872-2266 (Centers) Toll free: 800-422-7880

Fax: (253) 872-2780

# **Washington STARS**

841 North Central Avenue #206

Kent, WA 98032 Tel: (253) 854-2565 Toll free: 800-727-3107

Fax: (253) 813-3646 Email: www.stars@oz.net

# The Washington State Child Care Resource & Referral Network

917 Pacific Ave Ste 301 Tacoma, WA 98402-4434

Tel: (253) 383-1735 Fax: (253) 572-2599 Toll free: 800-446-1114 www.childcarenet.org

# Family Child Care Resource Sheet - Organizations

#### **WASHINGTON STATE RESOURCES**

# The Washington State Child Care Resource & Referral Network

917 Pacific Ave Ste. 301 Tacoma, WA 98402-4434

Tel: (253) 383-1735 Fax: (253) 572-2599

Toll free line: 800-446-1114

www.childcarenet.org/

This statewide organization offers a wide range

of services to support local CCR&R

organizations, child care providers, and their

communities.

# Local Child Care Resource and Referral (CCR&R)

Child care resource and referral agencies can provide information about current market rates, link you with training opportunities, funding sources, provide free marketing and other resources.

Check your local telephone directory or go to <a href="https://www.childcarenet.org">www.childcarenet.org</a> for contact information.

# Child Care Information Exchange Exchange Press, Inc.

PO Box 3249

Redmond, WA 98073 Tel: 800-221-2864 Fax: (425) 867-5217

Email: info@childcareexchange.com www.ChildCareExchange.com/

This bi-monthly publication offers articles on business management, financing strategies, marketing, public relations, and program and curriculum development ideas.

# Washington School Age Care Alliance (WASACA)

South Sound YMCA 510 Franklin Rd. Olympia, WA 98501 Tel: (360) 705-2642 Fax: (360) 786-8960

Provides information about local funding resources and support for school-age child care projects.

# Washington State Family Child Care Association

205 S 43rd Street

Tacoma, WA 98418-7706

Tel: (253) 475-0952

Toll Free: (888) 866-2555 Fax: (253) 475-1103

E-mail: wsfcca@uswest.net Website: http://www.wsfcca.com

Washington State Family Child Care Association is a grassroots, nonprofit organization, of licensed/certified family child care providers within 20 local chapters, joined together in a statewide association.

#### NATIONAL RESOURCES

#### **Child Care Aware**

1319 F Street NW, Suite 500 Washington, DC 20004 Toll Free: 800-424-2246

Email: info@childcareaware.org

www.childcare aware.org

Child Care Aware is a national initiative which can help you find the child care resource and referral agency in your area. To find a Child Care Resource and Referral agency (CCR&R) near you, call the Washington State CCR&R Contact at 800-446-1114 or contact Child Care Aware at 800-424-2246.

### **Child Care Law Center (CCLC)**

973 Market Street, Suite 550 San Francisco, CA 94103 Tel: (415) 495-5498 www.childcarelaw.org

CCLC has information on a variety of legal issues including liability and insurance issues, zoning and deed restrictions, contracts, and materials about the Americans with Disabilities Act (ADA).

# **National Association for Child Care Resource and Referral Agencies**

1319 F. Street, NW

Suite 500

Washington, DC 20004-1106

Tel.: 202-393-5501 Fax: 202-393-1109 www.naccrra.net

NACCRA aims to support local Child Care Resource and Referral Agencies and to strengthen the relationship between child care providers and child care resource and referral agencies.

# National Association for the Education of Young Children (NAEYC)

1509 16th Street NW Washington, DC 20036 Tel: (202) 232-8777 Toll free: 800-424-2460

www.naeyc.org

NAEYC is the nation's largest organization of early childhood professionals. They have a catalog of brochures, books, posters, and videotapes on early childhood education topics ranging from the business of child care to classroom activities.

# **National Association for Family Child**

Care

PO BOX 10373

Des Moines, Iowa 50306

Tel: (515) 282-8192 Fax: (515) 282-9117 Email: nafce@nafcc.org

www.nafcc.org

The NAFCC offers a variety of publications and resources specific to the needs of those running a family child care.

# **National Child Care Association (NCCA)**

1016 Rosser Street Conyers, GA 30012 Toll free: 800-543-7161 www.nccanet.org

The NCCA web site has up-to-date information and resources to help private, licensed child care center/preschool owners, administrators and directors stay on top of the industry and prepare for

future growth and success

#### **National Child Care Information Center**

243 Church Street, NW 2nd Floor

Vienna, Virginia 22180 Phone: 800-616-2242 Fax: 800-716-2242 TTY: 800-516-2242 www.nccic.org

The National Child Care Information Center (NCCIC) is a national resource that links information and people to complement, enhance, and promote the child care delivery system, working to ensure that all children and families have access to high-quality comprehensive services.

# National Institute on Out-of School Time (NIOST)

Center for Research on Women Wellesley College 106 Central Street Wellesley, MA 02481

Tel: (781) 283-2547 Fax: (781) 283-3657

www.niost.org

Among other things, NIOST publishes a manual on how to start a school-age program called <u>School-Age Child Care: An Action Manual for the 90s and Beyond</u>. Additional information about funding resources for school-age projects is available through the NIOST web site.

#### **National Network for Child Care**

http://www.nncc.org/homepage.html
NNCC unites the expertise of many of the
nation's leading universities through the
outreach system of Cooperative Extension.
Their goal is to share knowledge about
children and child care from the vast resources
of the land-grant universities with parents,
professionals, practitioners, and the general
public. They network with committed

# **National Resource Center for Health and Safety in Child Care**

UCHSC at Fitzsimons Nat'l Resource Center for Health & Safety in Child Care Campus Mail Stop F541 PO Box 6508 Aurora

CO 80045-0508

Toll free: 800-598-KIDS Fax: (303) 724-0960 www.nrc.uchsc.edu

This organization's web site offers an updated list of the child care licensure regulations in Washington State. The site also features the entire text of the National Health and Safety Performance Standards Guidelines for Out-of-Home Child Care Programs, which is the standard resource for health and safety issues in child care.

#### **Redleaf National Institute**

The National Center for the Business of Family Child Care

Tom Copeland, Director

450 North Syndicate Avenue, Suite 5

St. Paul, MN 55104 Tel: (651) 641-6675 Fax: (651) 645-0990

Email: rni@redleafinstitute.org

www.redleafinstitute.org

This Web site is for family child care providers who want to be more successful as business owners. It is also for trainers, tax preparers, and organizations that assist providers in dealing with business issues. Publications available on record keeping, contracts, marketing, etc.

#### **Redleaf Press**

450 N. Syndicate, Suite 5 St. Paul, MN 55104-4125

Tel: 800-423-8309 Fax: 800-641-0115 www.redleafpress.org

Redleaf Press is a publisher and a distributor of materials for early childhood educators. Their free catalog features a variety of informational resources on caring for children and how to operate a child care business.

# School-Age NOTES

P.O. Box 40205

Nashville, TN 37204 Tel: (615) 279-0700 Toll free: 800-410-8780 Fax: (615) 279-0800

E-mail for catalog orders only: sanotes@aol.com

www.schoolagenotes.com

This newsletter provides monthly ideas, strategies, and curriculum activities for working with schoolagers. Their resource catalog has materials on discipline, science, health, administration, activities, and games for school-age programs. Before and After School Programs: A Start-Up and Administration Manual includes a complete set of materials for starting, operating, and expanding school-age child care programs.

#### **COMMERCIAL SUPPLY COMPANIES**

# **Community Playthings-Rifton Equipment**

PO Box 901 Route 213 Rifton, NY 12471

Tel: 1-800-777-4244 Fax: 1-800-336-5948

sales@communityplaythings.com

# **Discount School Supply**

55 Penny Lane

Watsonville, CA 95076-6017

Tel: 831-763-3000 Fax: 1-800-879-3753 www.earlychildhood.com

### **Early Childhood Direct**

PO Box 369

Landisville, PA 17538

Tel: 1-800-784-5717 Fax: 1-800-219-5253 www.123ecd.com

# Kaplan

PO Box 609

Lewisville, NC 2-023-0609

Tel: 1-800-334-2014 Fax: 1-800-452-7526 info@Kaplanco.com

# **Lakeshore Learning Materials**

2695 E. Dominguez St.

P.O. Box 6261

Carson, CA 90749 Tel: 1-800-421-5354

Fax: 310-537-5403

lakeshore@lakeshorelearning.com

# Roylco

Art Supplies 3251 Abbeville Hwy, Anderson, SC 29624 Tel: 1-800-362-8656

Fax: 1-800-461-7328 roylcous@mail.carol.net

# **Book Keeping Resources Sheet**

Deciding the best book keeping method for your business is a personal decision. You may be more comfortable with a paper system. If you are considering purchasing book keeping software, be sure to ask if there is a free demo that you can try before buying the actual program. The following software record financial information while allowing you to keep track of child files, family accounts, and employees.

# **Bookkeeping & Administration for the Smaller Business**

By Elvira Bellegoni

Easy to read/understand explanation of bookkeeping and administration with ample illustrations. Designed for the business owner, for those starting a business, and those changing careers or returning to the work force. All the information is relevant and to be used on daily operations.

#### ChildCare Office Pro

133 N. Friendswood, 125 Friendswood, TX 77546 Tel: (281) 480-1793

8:30am until 5:00pm (CST)

Email: inquiry@childcareoffice.com

www.childcareoffice.com

The Child Care Office Pro Software boasts the ability to keep track of nearly all of your record keeping needs. It keeps track of child files alerting you when a child is due for an immunization or has a birthday in the next week. It will alert you of past due accounts or tell you your expenses for the last year or quarter. It also features a computerized child and employee sign-in. ChildCare Office Pro Version 2.02 is Windows 95, Windows 98, Windows ME compatible, requires approx. 20MB disk space, and runs best on 200+mhz systems with 32MB RAM or more. Approximately \$250.

Keeping the Books: Basic Recordkeeping and Accounting for the Successful Small Business (Keeping the Books, 5th Ed) By Linda Prinson The premier resource for basic bookkeeping and business record management, Keeping the Books is a comprehensive, yet down to earth, treatment of one of the most important, yet often neglected, aspects of running a business. User-friendly and packed with easy-to-understand illustrations, worksheets, and forms, this popular financial reference tool is completely updated, and replete with the variety of IRS forms that entrepreneurs have to be familiar with. From updating car and transportation expenses to exploding the myths around independent contractors, the author presents everything a small company needs to know to maintain proper records.

# **Pinnacle Software Systems**

1107 Tulane

West Monroe, Louisiana 71291

Tel.: (318) 547-9533 9:00am - 5:00pm (CST) Monday – Friday

Email: Sid.Farmer@daycaresoft.com

www.daycaresoft.com

Day Care Manager is a full featured, automated system for Child Care operations of all kinds. Originally written for a Church Day Care, it features complete child demographics information, charge/payment tracking, release lists, medical records, and contact phone numbers. Weekly billing as well as assessment of late fees are automatic and billing days are chosen in the program settings. The system produces class rosters and waiting lists. It also produces timely reports including income statements, delinquent payments lists, and individual ledgers. The system accommodates mixed families with different last names by linking children to family units. \$55

#### **ProCare Lite**

3629 Aviation Way, Medford, OR 97504 Tel.: 800- 338-3884

Email: sales@procaresoft.com

www.procaresoft.com

Designed for the family day care home or smaller center, ProCare Lite comes prepackaged with Family Data, Accounts Receivable & Food Program to cover both your accounting and child care needs. A free demo is available. \$195

#### **Redleaf Press**

450 N Syndicate, Ste. 5 St. Paul, MN 55104 Tel.: 800-423-8309

Fax: 800-641-0115 www.redleafpress.org

Calender-Keeper Software

Be supremely organized with the most comprehensive family child care recordkeeping system available. The Calendar-Keeper gives you monthly expense charts for all purchases; monthly attendance and payment log for parent fees; Food Program tallies for meals, expenses, and claims; weekly/quarterly income record; important record-keeping advice; worksheets that make tax time a breeze; convenient mileage record; ready-to-use waiting list; fire and emergency drill records; easy-to-find emergency numbers; recipes and menus with CACFP crediting; nutrition information and fun activities; and a handy envelope for receipts. Includes monthly marketing advice from the Family Child Care Marketing Guide and an exclusive article, "Spotting Problems in Your Tax Return," by Tom Copeland, director of Redleaf National *Institute. Big 12 x 9, 92-page format has space* to record 37 children. Spiralbound; will hang or lie flat. Spanish version available.

# The Business of Family Child Care with Tom Copeland: How to Be Successful in Your Caring Profession

Produced by the Soho Center with Redleaf Press This video for family child care providers, trainers, and licensers covers the seven most important rules for record keeping. Includes interviews with family child care providers, a viewer's guide with discussion questions for trainers, and additional resource lists. Learn how to manage your business right. Video, 25 min.

#### SDS Software Solutions

2679 Rifle River Trail West Branch, MI 48661 Tel: 800-486-6960

Support Tel.: (517) 345-1076

Fax: (517) 345-1019

www.daycaresoftware.com
Day Care Information Systems Pro 2000 Lite

allows you to track child and employee information, billing, invoicing, expenses, and much, much more.

\$89.95

The SignIn Module 2000 LITE software is an add on package that allows you to maintain a complete record of when each and every child is at your center, and also use it as an employee time clock. \$39.95

Free demo software is available.

### QUICK BOOKS TRAINING & SUPPORT RESOURCES

#### Mind Leaders

851 West Third Avenue, Building 3 Columbus, OH 43212

Tel: 800-223-3732

www.mindleaders.com/catalog/qbkc01.htm The First Time in QuickBooks

This online course for anyone who requires a business accounting program explains how to get started with QuickBooks and how to begin the EasyStep Interview process. It takes about 3 hours.

#### **QuickSource**

QuickBooks Accounting Support Center

Tel: (206) 417-0375 8am to 4 pm PST Monday-Friday

Email: info@thequicksource.com www.quicksourcecenter.com

QuickSource offers workshops, training, bookkeeper testing and certification to learn how to manage your books with QuickBooks. This local business has experience training child care providers how to use QuickBooks.

#### QuickBooks

Tel.: 888-246-8848
6 am to 5pm (PT)
Monday - Friday
www.quickbooks.com/
QuickBooks 2001 is one of the leading
accounting software programs. Although this
program is not specifically made for child care
businesses, it can still be an efficient program
for keeping your books. To use it, you don't
need any special accounting knowledge—it's as
simple as filling in familiar checks, invoices,
and forms onscreen. Order a free 30-day trial
to see if it works for you. \$249.95

# **Funding Sources Resource Sheet**

### CHILD CARE MICRO LOAN PROGRAMS

# **Benton/Franklin Community Action Committee**

Pasco: Adams, Benton, Columbia, Franklin,

Grant, Klickitat, Walla Walla Contact: Judith Gidley/Andrea Derr 720 W. Court St., Pasco 99301 Tel: (509) 545-4042 ext 210/204

Fax: (509) 544-9691

JudieG@bfcac.org/Aderr@bfcac.org

### **Cascadia Revolving Fund**

www.cascadiafund.org Contact: Mary Ann Johnson Tel: 206-447-9226 x103 Email: HYPERLINK

 $"mail to: maj@cascadia fund.org"\_maj@cascadi$ 

afund.org

Childcare providers may obtain a loan of up to

\$300,000

Interest rates range from 8-10%
Loan term lengths range from 12 to 84 months
Monthly loan payments may be as little as
\$130, depending on the amount, rate, term and
closing costs of the loan

# The Child Care Facility Fund

Contact: Gail Gosney P.O. Box 48300, Olympia, WA 98504-8300, Tel: (360) 586-3023 Fax: (360) 586-0873

E-mail: gailg@cted.wa.gov

http://edd.cted.wa.gov/bac/cca/default.htm This fund offers financial and technical assistance to businesses to start or expand employer-based child care facilities.

#### The Child Care Micro Loan

P.O. Box 42525 Olympia, WA 98504 Contact: Gail Gosney Tel: (360) 725-4034 Fax: (360) 586-0873

E-mail: gailg@cted.wa.gov

or

Contact: Tom Stilz Tel: (360) 725-4045

E-mail: toms@cted.wa.gov

http://www.childcarenet.org/Microloans.htm Five community lending institutions throughout Washington, together, have nearly \$1M to be dispersed in small loans ranging up to \$5,000 for in-home childcare businesses. Loans may be used to help pay for start-up facility costs, health and safety improvements and minor renovation costs. Training and technical assistance is available as well to help to prepare your businesses for the loan.

# **Community Capital Development**

Seattle: King, Kitsap, Kittitas, Snohomish, Skagit,

Whatcom

Contact Pam Jones/Suzanne Tessaro 1437 S Jackson #302, Seattle 98144 Tel: (206) 324-4330 ext 105/110

Fax: (206) 324-4322

Email: Pamelaj@seattleccd.com Email: Suzannet@seattleccd.com 5,000 Max for in-home loans 25,000 Max for center loans

# **Community Facilities Loan and Grant Program**

Contact: Paul Johnson Tel: (360) 704-7761

www.rurdev.usda.gov/ne/comdevel.htm This program provides loans and grants to construct, enlarge, extend, or otherwise improve community facilities providing essential services in rural areas and towns with a population of 20,000 or less.

# **Metropolitan Development Council**

Tacoma: Pierce, Thurston Contact: Teresa Lemmons

202 N Tacoma Ave #D, Tacoma 98403

Tel: (253) 591-7026 Fax: (253) 572-5583 Email: Ceo@seatac.net

### **Northwest Regional Facilitators**

Spokane: Spokane, Lincoln, Ferry, Stevens,

Pend Oreille

Contact: Kathy Thamm

525 E Mission Ave, Spokane 99202

Tel: (509) 484-6733 Fax: (509) 483-0345 Email: Frc@iea.com

# **Washington CASH**

Seattle: King, Island, San Juan, Skagit,

Snohomish, Whatcom Contact: Peter Rose

410 Boston Street, Seattle 98109

Tel: (206) 352-1945 Fax: (206) 352-1899

Email: Washcash@nwlink.com

### SMALL BUSINESS ADMINITRATION LOANS

Seattle

Park Place Building - 1200 Sixth Avenue, Suite

(corner of Sixth and University in downtown Seattle)

Seattle, WA 98101-1128 General Info: (206) 553-7310

Business Info Center: (206) 553-7311 SCORE Desk: (206) 553-7320

www.sba.gov/wa/seattle/index5.html

# SMALL BUSINESS ADMINITRATION LOANS

**Spokane** 

Spokane Regional Business Center 801 W. Riverside Avenue, Suite 200

Spokane, Washington 99201

Tel: (509) 353-2800

www.sba.gov/wa/spokane/index5.html
The SBA offers a variety of loans for small businesses.

# **GRANTS**

# **Community Development Block Grants**

CDBG Public Services Grant

Contact Kaaren Roe, Project Manager

Tel: (360) 725-3018 or

Email: kaarenr@cted.wa.gov.

**CSBG Program**:

Contact Ed Barton, Program Manager

Tel: (360) 725-2852 or Email: edb@cted.wa.gov.

Call to find out if grants are available in your

county.

#### **Child Care Resource and Referral**

[see Family Child Care Resources sheet]

Infant Toddler Capacity Grant monies and TANF

Capacity Building monies may be available through
your local Child Care Resource & Referral

#### **FOOD SUBSIDY PROGRAMS**

#### **Child and Adult Care Food Program**

Office of Superintendent of Public Instruction (OSPI)

Old Capitol Building

600 South Washington Street

P.O. Box 47200

Olympia, WA 98504-7200

Tel: (360) 725-6000 Tel: (360) 753-3580 Fax: 360-664-9397 HYPERLINK

"http://www.k12.wa.us/ChildNutrition/99CACFP.asp" The Child and Adult Care Food Program (CACFP) provides federal funds to nonresidential child and adult care facilities to serve nutritious meals and snacks. The goal of the CACFP is to improve and maintain the health and nutritional status of children and adults in care while promoting the development of good eating habits. Eligible programs include non-residential licensed public or private nonprofit child care centers or family day care homes. For-profit child care centers may participate if at least 25% of their total enrollment or license capacity, whichever is less, receive compensation under Title XX of the Social Security Act.

# City of Seattle Child Care Nutrition **Program**

Contact: Sandria Woods-Pollard

Tel: (206) 386-1148 Fax: (206) 386-1138 618 2<sup>nd</sup> Avenue, 4<sup>th</sup> Floor Seattle, WA 98104

# Columbia Basin Edu-Care

### **Association**

PO Box 18340

Spokane, WA 99228-0340

Tel: (509) 467-4436 Tel: 1-800-282-3066 www.edu-care.org USDA food program sponsor.

### **Rainbow Valley Day Care Homes**

10900 NE 4<sup>th</sup> Street #1920

PO Box 97500

Bellevue, WA 98009 Tel: (425) 637-7997 Tel: 1-800-735-7205

Fax: (425) 637-7996

Rainbow Valley is a local sponsor of the UDSA Child Care Food Program. They have been a sponsor since 1997 and have 1,500 members

throughout Washington State.

#### **Northwest Child Nutrition**

Contact: Shelby Nelson Tel: 1-800-546-3383 1520 Broadway, Suite 103

Everett, WA 98201

Provide reimbursement to licensed in-home childcare for food provided to children. Serve all of Western Washington and parts of Eastern

Washington.

# **Family Child Care Insurance Providers**

This is a partial listing of insurance companies that offer coverage to child care providers in Washington State. These companies did not pay to be included, and their inclusion does not imply endorsement.

# American Federation of Daycare Services, Inc.

P.O. Box 440544 Kennesaw, GA 30144 Toll free: 800-476-4940

Email: mjbates@thomcoins.com

www.afds.com

This insurance program offers a variety of coverage options for family child care providers.

#### **Morgan & Associates**

5705 95<sup>th</sup> Place SW Mukilteo, WA 98275 Tel: (425) 348-6557 Automated System: 800-520-8980

Fax: (425) 348-7662

www.morganinsurance.com
Morgan & Associates is an insurance
brokerage that offers comprehensive coverage
to family child care providers. They offer
liability insurance that has coverage options
specific to child care like dog coverage,
swimming pool coverage and abuse/
molestation coverage.

# Washington State Family Child Care Association (WSFCCA)

WSFCCA Program P.O. Box 731048 Puyallup, WA 98373 Tel: (253) 864-6186 Toll free: 888-866-2555

This grassroots, nonprofit organization provides

Child Care Liability Insurance and

Accident/Medical Insurance to family child care businesses in Washington state. Call to find out

about the chapter closest to you.

# **Tax Resource Sheet**

#### **Department of Revenue**

Telephone Info Center: 800-647-7706

Teletype: 800-451-7985

Email: Communications@dor.wa.gov

www.dor.wa.gov/

The Department of Revenue answers tax questions. You can also look for new business information, child care publications, and tax

information.

#### Bremerton

4841 Auto Center Way Suite 201 Bremerton, WA 98312-4394

Tel: (360) 478-4961

Tuesday, Thursday and Friday: 8 am - 11:30 am, 12:30 pm - 5 pm

#### Olympia

Target Place Complex

2735 Harrison Ave Northwest Suite 440

PO Box 12900

Olympia, WA 98508-2900

Tel: (360) 753-3181 Monday - Friday

8:00 - 11:30 am and 12:30 - 5:00 pm

#### Seattle

2101 - 4th Avenue Suite 1400 Seattle, WA 98121-2300

Tel: (206)956-3002 Monday-Friday

8 am - 5 pm

#### **Spokane**

4407 North Division Street Suite 300

Spokane, WA 99207-1685

Tel: (509) 482-3800 Monday- Friday

8 am - 5 pm

#### Tacoma

3315 South 23rd Street Suite 300

Tacoma, WA 98405-1605

Tel: (253) 593-2722

Monday-Friday

8 am - 5 pm

# Washington State Department of Labor and Industries

#### Aberdeen

415 West Wishkah, Suite 1B

Aberdeen, WA 98520-0013

Tel: (360) 533-8200

Fax: (360) 533-8206

TDD: (360) 533-9336

#### Bellevue

616 120th Avenue NE, Suite C201

Bellevue, WA 98005-3037

Tel: (425) 990-1400

Fax: (425) 990-1446

TDD: (425) 637-5450

Note: Master Business License Applications

accepted only between 9 a.m. and 12 p.m. at this

location.

#### Bellingham

1720 Ellis Street, Suite 200

Bellingham, WA 98225-4600

Tel: (360) 647-7300

Fax: (360) 647-7310

TDD: (360) 647-7299

#### Bremerton

500 Pacific Avenue, Suite 400

Bremerton, WA 98337-1904

Tel: (360) 415-4000

Fax: (360) 415-4047

TDD: (360) 415-4014

#### Colville

298 South Main, Suite 203 Colville, WA 99114-2416

Tel: (509) 684-7417 Toll-free: 800-509-9174 Fax: (509) 684-7416

#### East Wenatchee

519 Grant Road

East Wenatchee, WA 98802-5459

Tel: (509) 886-6500 or 800-292-5920 Fax: (509) 886-6510 TDD: (509) 886-6512

#### Everett

729 100th St. S.E.

Everett WA 98208-3727 Tel: (425) 290-1300 Fax: (425) 290-1399

TDD: (425) 290-1407

#### Kennewick

500 N Morain, Suite 1110 Kennewick, WA 99336-2683

Tel: (509) 735-0100 Fax: (509) 735-0120 TDD: (509) 735-0146 Toll free: 800-547-9411

#### Longview

900 Ocean Beach Hwy Longview, WA 98632-4013

Tel: (360) 575-6900 Fax: (360) 575-6918 TDD: (360) 575-6921

#### Moses Lake

3001 W. Broadway Ave. Moses Lake, WA 98837-2907 Claims/industrial insurance:

(509) 764-6912

Electrical - (509) 764-6900

Tel: (509) 764-6900 Fax: (509) 764-6923 TDD: (509) 754-6030

#### Mount Vernon

525 E College Way, Suite H Mount Vernon, WA 98273-5500

Tel:(360) 416-3000 Fax: (360) 416-3030 TDD: (360) 416-3072

#### Okanogan

1234 2nd Avenue S

Okanogan, WA 98840-9723

(509) 826-7345 Fax: (509) 826-7349 TDD: (509) 826-7370

#### Port Angeles

1605 East Front Street, Suite C Port Angeles, WA 98362-4628

Tel: (360) 417-2700 Fax: (360) 417-2733 TDD: (360) 417-2752

#### Pullman

1250 Bishop Blvd SE, Suite G

**PO Box 847** 

Pullman, WA 99163-0847

Tel: (509)334-5296 Toll-free: 800-509-0025 Fax: (509) 334-3417

#### Seattle

300 W Harrison Street Seattle, WA 98119-4081 Tel: (206) 281-5400 Fax: (206) 281-5529 TDD: (206) 281-5528

#### **Spokane**

901 N Monroe Street, Suite 100 Spokane, WA 99201-2149

Tel: (509) 324-2600 Toll-free: 800-509-8847 Fax: (509) 324-2601 TDD: (509) 324-2653

#### Tacoma

950 Broadway, Suite 200 Tacoma, WA 98402-4453

Tel: (253) 596-3800 Fax: (253) 596-3956 TDD: (253) 596-3887

#### Tukwila

PO Box 69050

12806 Gateway Drive Seattle, WA 98168-1050

Tel: (206) 248-8240 Fax: (206) 248-8296 TDD: (206) 248-8245

Tumwater

Mailing address: PO Box 44851

Olympia, WA 98504

Physical address: 7273 Linderson Way SW

Tumwater, WA 98501 1st Floor, Lobby Tel: (360) 902-5799 Fax: (360) 902-5792

TDD: (360) 902-4637

Please note: The physical address for the Tumwater building is not for U.S. Postal Service mail (unless specifically requested by USPS). Using this address may significantly

delay delivery.

#### Vancouver

312 SE Stonemill Dr, Suite 120 Vancouver, WA 98684-3508

Tel: (360) 896-2300 Fax: (360) 896-2345 TDD: (360) 896-2304

#### Walla Walla

1815 Portland Avenue, Suite 2 Walla Walla, WA 99362-2246

Tel: (509) 527-4437 Fax: (509) 527-4486 TDD: (509) 527-4172

#### Yakima

15 W. Yakima Avenue, Suite 100

Yakima, WA 98902-3480

Tel: (509) 454-3700

Toll-free: 1-800-354-5423

Fax: (509) 454-3710 TDD: (509) 454-3741 Toll free: 800-547-8367

www.wa.gov/lni/

Learn about paying L&I insurance on

employees.

#### **Internal Revenue Service**

1-800-829-1040

www.irs.ustreas.gov/smallbiz/index.htm

This website offers tax assistance specifically for
small businesses. Use the telephone number for live
telephone assistance.

#### **Redleaf National Institute**

The National Center for the Business of Family

Child Care

Tom Copeland, Director

450 North Syndicate Avenue, Suite 5

St. Paul, MN 55104 Tel: (651) 641-6675 Fax: (651) 645-0990

Email: rni@redleafinstitute.org

www.redleafinstitute.org

This Web site is for family child care providers who want to be more successful as business owners. It is also for trainers, tax preparers, and organizations that assist providers in dealing with business issues. Publications available on record keeping, contracts, marketing, etc.

# **Small Business Development Centers**

#### For business plan help:

#### Auburn

# **Green River Community College**

108 South Division Street, Suite A Auburn, WA 98001-5316 Deanna Burnett-Keener 253-333-1600 ext 18 dburnett@grcc.ctc.edu

#### **Bellevue**

# **Bellevue Community College**

300 Landerholm Circle SE Bellevue, WA 98007-6484 Bill Huenefeld 425-564-2888 bhuenefe@bcc.ctc.edu

#### **Bellingham**

# Western Washington University

119 N. Commercial, Suite 195 Bellingham, WA 98225-4455 Tom Dorr 360-733-4014 tom.dorr@wwu.edu

#### **Bremerton**

# **Olympic College**

654 4th Avenue Bremerton, WA 98337-1699 Susan Segler 360-478-4839 ext 23 ssegler@oc.ctc.edu

### <u>Centralia</u>

#### **SBDC**

1611 N National (POB 916) Chehalis, WA 98532 360-736-9391 ext 330

#### Chehalis

#### **Lewis County EDC**

1611 N National (POB 916) Chehalis, WA 98532 360-748-0114

#### Everett

### **Edmonds Community College**

Quadrant I-5 Corporate Park 728 134th SW, Suite 128 Everett, WA 98204-5322 Ron Battles 425-640-1468 rbattles@edcc.edu

#### Moses Lake

### **Big Bend Community College**

7662 Chanute Street, Bldg. 1500 Moses Lake, WA 98827-3299 509-762-6289

#### Mt. Vernon

### **Skagit Valley College**

204 W. Montgomery Mt. Vernon, WA 98273 Astrid Aamot 360-428-1282 aamot@skagit.ctc.edu

#### Okanogan

#### **OCCED**

203 South 2<sup>nd</sup> (Box 741) Okanogan, WA 98840 509-826-5107

#### Olympia

# **South Puget Sound Community College**

721 Columbia Street SW Olympia, WA 98501 Doug Hammel 360-753-5616 douglashammel@olywa.net

#### Port Angeles

#### **SBDC**

102 East Front Street (PO Box 1085) Port Angeles, WA 98362 Kathleen Purdy, Washington State University 360-457-7299 kpurdy@clallam.org

#### Port Townsend

#### **SBDC**

540 Water Street #1
PO Box 1849
Port Townsend, WA 98368
Kathleen Purdy, Washington State University
360-379-9871
kpurdy@clallam.org

#### Seattle

# **South Seattle Community College**

6000 16th Avenue SW Seattle, WA 98106 Corey Hansen 206-768-6855 ssccsbdc@hotmail.com

### **SBA Business Enterprise Center**

1200 Sixth Avenue, Suite 1700 Seattle, WA 98101 Michael Franz, Washington State University 206-553-7328 mfranz@connectexpress.com

#### **Seattle SBDC**

3600 15th Avenue W. Suite 303 Seattle, WA 98119 Warner Wong, Washington State University 206-464-5450 wwong@wolfenet.com

#### Spokane

# Washington State University

Lead Center: 601 W. First Avenue Spokane, WA 99202-3899 Carolyn Clark, State Director 509-358-7765 clrk@wsu.edu

# WSU/Spokane

SIRTI Bldg., 665 N. Riverpoint Blvd. Spokane, WA 99202 509-358-7890

#### Tacoma

# **Tacoma Business Assistance Center SBDC**

1101 South Yakima M-123 Tacoma, WA 98402 David T. Young 253-680-7768 dyoung@bates.ctc.edu

#### **Tri-Cities**

#### TRIDEC

Columbia Basin College 901 N. Colorado Kennewick, WA 99336 509-735-6222

#### Vancouver

### **Washington State University**

200 SE Park Plaza Drive, Suite 1005 Vancouver, WA 98684 Janet Harte, 360-260-6372 harte@vancouver.wsu.edu

#### Walla Walla

# Walla Walla Community College

500 Tausick Way Walla Walla, WA 98362 509-527-4681

#### Wenatchee

#### **Ouest SBDC**

327 Penny Road Industrial Building #2, Suite D Wenatchee, WA 98801 509-662-2116

#### Yakima

# Yakima Valley Community College

16<sup>th</sup> & Nob Hill PO Box 22520 Yakima, WA 98807 509-574-4935

# Glossary & Index

- **1. Asset, 14.** Everything you own that has a dollar value, such as money, investments, automobile, home, collections, business assets, etc.
- **2. Accounts, 148.** A separate list, journal or category of transactions e.g., checking account (or bank account), petty cash journal, sales journal, etc.
- **3. Accounting.** See "bookkeeping."
- **4. Accounts payable.** A journal page or bookkeeping account showing the purchase and payment transactions of items *purchased* on credit.
- **5. Accounts receivable.** A journal page or bookkeeping account showing the purchase and payment transactions of items *sold* on credit.
- **6. Bank account.** See "business bank account."
- **7. Bookkeeping, 146-159.** The process of recording business transactions and reconciling accounts. See "Bookkeeping Resources Sheet."
- **8. Bookkeeping journal (ledger), 146.** The notebook or ledger that contains all the business accounts. A bookkeeping journal may contain several journals, or accounts.
- **9. Bookkeeping system, 151.** Includes the array of business accounts, a schedule for recording business transactions, and a method for reconciling the checkbook. (see definition).
- 10. Break-even point, 102. When sales income equals expenses.
- 11. Budget, 24. A projection of future income and expenses.
- 12. Business and occupation (B&O) tax. A state tax on business income.
- **13.** Business bank account, 138-140. An account held strictly for business transactions. See also DBA Account.
- **14. Business goals, 41.** The step or accomplishments that will turn your business into a reality.
- **15. Business idea, 30.** The description of your business, including type of products or services, business structure, market, and place or method of sales.
- **16. Business plan (written), 177-183.** A written document that describes the business idea, feasibility analysis, marketing and operating plans, and relevant financial statements.
- 17. Cash flow projection, 106-109. Shows *estimated* incoming and outgoing cash from all sources and the resulting cash balance per month over a future period (e.g., a month, quarter, or year).

- **18.** Cash flow statement, 163-165. Shows *actual* profit or loss from the P&L statement, other income and expenses, and the resulting cash balance per month over a past period (e.g. a month, quarter, or year).
- **19.** Corporation, **38.** A business with a legal identity separate from the owner(s).
- **20.** Competitors (competition), **58.** Businesses who offer products or services similar or identical to yours.
- **21.** Consumer, **38.** The person(s) who will use the product or service. See also "customer."
- **22.** Cost analysis, 72-90. Shows all expense items needed -- COGS, overhead, and start-up to start and run the business.
- **23.** Customer, **38.** The person(s) who will buy the product or service directly from you e.g., a consumer, distributor, or retailer.
- **24. DBA** (does (doing) business as) account, 138. A type of low-cost checking account that many banks offer individuals.
- **25. Discretionary expenses, 25.** Budget items that are relatively flexible, such as clothes and entertainment (as opposed to "necessary expenses").
- **26. Dream, 9.** A vision of how you would like your life to be. See also "goal."
- **27. Emotional barrier, 65-66.** A feeling of fear, stress, or resistance that holds you back or keeps you from pursuing a goal.
- **28.** Entrepreneurial traits, 43. Traits that are generally relevant to running a successful business.
- **29.** Expense journal, 151. An account or separate journal for recording business expense transactions.
- **30. Feasibility analysis, 115-121.** A discussion of the Feasibility Study that ends with a decision on whether or not the business can be profitable enough to meet the entrepreneur's goals.
- **31. Feasibility study, 57.** Research done by the entrepreneur to determine if the business can be profitable. Includes market research, cost analysis, and financial projections.
- **32. Filing system, 167** An organized array of index files in an accordion file, box, or file cabinet.
- **33. Financial statements, 95.** The organization of financial data to display a projected or past financial situation. Includes "sales forecast," "profit and loss projection," "cash flow projection," "balance sheet," "profit & loss (P&L) statement," and "cash flow statement."
- **34. Goal, 9.** A particular, measurable end toward which your efforts are directed.

- 35. Gross profit, 101. Sales income minus COGS. See also "net profit."
- **36. Income & expense statement, 20.** A listing of your income and expenses over a period of time (e.g. a month, quarter, year).
- **37. Industrial insurance.** An employer and government paid insurance that provides benefits to employees who are injured on the job and protects employers from liability.
- **38. Invoice.** A bill or receipt that itemizes the business transaction.
- **39.** Ledger. See "bookkeeping journal."
- **40. Liabilities, 14.** Amounts that you owe your creditors or others, such as past due bills, pledges, mortgages, loans, and credit card balances.
- **41.** Logo, 130. A picture or design used on promotional materials to identify the business.
- **42. Market, 58.** Refers to the people who are likely to buy particular products or services, including both customers and consumers.
- 43. Marketing, 129. The implementation of strategies to attract customers
- **44. Marketing plan, 129.** A description of the marketing strategies that you plan to use.
- **45. Market research, 58.** The gathering, organization, and analysis of information about the market for a particular product, service, or business.
- **46. Mission statement, 36.** A statement telling the overall purpose of your business, including how it will benefit other people or society in general.
- **47.** Necessary expenses, **25.** Budget items that are relatively fixed, such as rent, food, and utilities,
- **48. Negotiating, 49.** The skill of "give and take" to reach agreements.
- **49. Net profit, 101.** Normally defined as *gross profit* minus all other expenses and shown on the P&L statement. However, for the purposes of this workbook, taxes, loan payments, and owner's draw are excluded from net profit as shown on the P&L statement and addressed instead on the cash flow statement.
- **50. Net worth statement, 14-15.** A listing of assets, liabilities and net worth.
- 51. Operating plan, 87. Includes legal requirements and logistics for opening and operating the business.
- **52. Overhead, 72.** Regular or fixed monthly expenses for operating the business. Also called "fixed expenses." Includes rent, advertising, and loan interest. Does not include COGS (see definition above).
- **53.** Owner's draw, 97. The money you take out of the business for personal use.

- **54.** Owner's equity, 161. Item on the balance sheet representing how much the business is worth. It is calculated by deducting liabilities from assets.
- **55.** Owner's investment, 106. Personal money that you put into the business.
- **56. Partnership, 38.** An unincorporated business that has two or more owners.
- **57. Personal expense journal, 19.** A small pad or notebook that you carry around to immediately record all your cash and credit expenditures. (See "expense journal" for business expenses.)
- **58. Profit, 95.** A positive amount that occurs when sales income exceeds expenses on the P&L statement. (Note, a business can show a profit and still lose money. This can occur when unpaid invoices or owner's draws become excessive.) See also "gross profit" and "net profit."
- **59. Profit & Loss (P&L) Projection, 101.** Shows *estimated* sales income, business expenses, and resulting profit (or loss) per month for a future period (e.g., a month, quarter, or year).
- **60. Profit & Loss (P&L) Statement, 163-164.** Shows sales income, expenses (COGS, overhead, and start-up), and the resulting profit or loss per month over a past period (e.g., a month, quarter, or year).
- **61. Purchase order.** An itemized list of items and prices used for mail or advance orders.
- **62. Reconciliation (checkbook), 158.** The process of comparing the checkbook register with the bank statement and correcting errors until the balances coincide.
- **63. Record keeping system, 145.** Includes a bookkeeping system, financial statements, and a filing system.
- **64. Reserve fund, 24.** A bank account used for emergencies or unplanned expenses. Also called "rainy day fund" or "emergency fund."
- 65. Retail, 38. Sales made directly to the consumer. See also "wholesale."
- 66. Revenue. See "sales income."
- 67. Salary Schedule, 83-87. Method of determining wage for employees.
- **68.** Sales forecast, 97-100. A projection of future sales per month for a specific period (e.g., a month, quarter, or year).
- **69.** Sales income, 101. Income from the sale of products or services.
- **70.** Sales unit, **73.** One product or service, or a grouping of products and services for sale at approximately the same price.
- 71. Schedule C, 170. The IRS form for reporting sole proprietorship income and expenses. It accompanies your 1040 tax return.

- **72. Self assessment, 65.** An evaluation of one's strengths and weaknesses in relation to the business idea.
- 73. Self-employment tax, 170. A federal tax paid on self-employment income for Social Security and Medicare benefits.
- **74. Sole proprietor, 38.** The owner of a sole proprietorship.
- **75. Sole proprietorship, 38.** An unincorporated business that has a single owner.
- **76. Start-up expenses, 72.** Expenses necessary to get the business started. Also includes non-monthly expenses (e.g., insurance premiums), replacement costs (e.g., equipment), and other expenses for improving or expanding the business (e.g., training, advertisements for a new product, etc.)
- 77. **Tag line, 130.** A phrase repeated on promotional materials to convey an image for the business.
- 78. Taxes 170-172.
- **79. Tax deductions, 171.** Allowable expenses deducted from taxable income on a tax return.
- **80.** Time management, **48.** A system for scheduling and prioritizing tasks and commitments.
- **81.** TLC, **48.** A time management system designed for this workbook. TLC stands for: *Think*, *List*, and put it on the *Calendar*.
- **82. Unemployment insurance.** An employer and government paid insurance that compensates unemployed workers.
- **83.** Wholesale, **38.** Sales to a wholesaler or retailer (someone other than the "consumer."